

106TH CONGRESS
1ST SESSION

H. R. 1102

To provide for pension reform, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 11, 1999

Mr. PORTMAN (for himself, Mr. CARDIN, Mrs. JOHNSON of Connecticut, Mr. HOUGHTON, Mr. LEWIS of Georgia, Mr. WELLER, Mr. TANNER, Mr. BLUNT, Mr. BOEHNER, Mr. POMEROY, Mr. BENTSEN, Mr. KOLBE, Mrs. MORELLA, Mr. NUSSLE, Mr. MCCRERY, and Mr. RAMSTAD) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide for pension reform, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Comprehensive Retirement Security and Pension Reform
7 Act”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-
 2 wise expressly provided, whenever in this Act an amend-
 3 ment or repeal is expressed in terms of an amendment
 4 to, or repeal of, a section or other provision, the reference
 5 shall be considered to be made to a section or other provi-
 6 sion of the Internal Revenue Code of 1986.

7 (c) TABLE OF CONTENTS.—The table of contents for
 8 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—EXPANDING COVERAGE

- Sec. 101. Restoration of limits formerly in effect.
- Sec. 102. Plan loans for subchapter S owners, partners, and sole proprietors.
- Sec. 103. Salary reduction only simple plans.
- Sec. 104. Modification of top-heavy rules.
- Sec. 105. Elective deferrals not taken into account for purposes of limits.
- Sec. 106. Reduced PBGC premium for new plans of small employers.
- Sec. 107. Phase-in of additional premium for new plans.
- Sec. 108. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
- Sec. 109. Elimination of user fee for requests to IRS regarding pension plans.
- Sec. 110. Alternative method of meeting nondiscrimination requirements for automatic contribution trust.
- Sec. 111. Deduction limits.
- Sec. 112. Option to treat elective deferrals as after-tax contributions.
- Sec. 113. Credit for pension plan startup costs of small employers.

TITLE II—ENHANCING FAIRNESS FOR WOMEN AND CHILDREN

- Sec. 201. Additional salary reduction catch-up contributions.
- Sec. 202. Equitable treatment for contributions of employees to defined contribution plans.
- Sec. 203. Faster vesting of certain employer matching contributions.
- Sec. 204. Deferred annuities for surviving spouses of Federal employees.
- Sec. 205. Simplify and update the minimum distribution rules.
- Sec. 206. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
- Sec. 207. Percentage limitations on contributions.
- Sec. 208. Eligible rollover distributions.
- Sec. 209. Immediate participation in the Thrift Savings Plan.

TITLE III—INCREASING PORTABILITY FOR PARTICIPANTS

- Sec. 301. Rollovers allowed among various types of plans.
- Sec. 302. Rollovers of IRAs into workplace retirement plans.
- Sec. 303. Rollovers of after-tax contributions.

- Sec. 304. Treatment of forms of distribution.
- Sec. 305. Rationalization of restrictions on distributions.
- Sec. 306. Purchase of service credit in governmental defined benefit plans.
- Sec. 307. Employers may disregard rollovers for purposes of cash-out amounts.

TITLE IV—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

- Sec. 401. Repeal of 150 percent of current liability funding limit.
- Sec. 402. Missing participants.
- Sec. 403. Periodic pension benefits statements.
- Sec. 404. Civil penalties for breach of fiduciary responsibility.
- Sec. 405. Penalty tax relief for sound pension funding.
- Sec. 406. Protection of investment of employee contributions to 401(k) plans.
- Sec. 407. Notice of significant reduction in benefit accruals.

TITLE V—REDUCING REGULATORY BURDENS

- Sec. 501. Intermediate sanctions for inadvertent failures.
- Sec. 502. Repeal of the multiple use test.
- Sec. 503. Safety valve from mechanical rules.
- Sec. 504. Reform of the line of business rules.
- Sec. 505. Coverage test flexibility.
- Sec. 506. Increase in retirement plan cash-out amount.
- Sec. 507. Modification of timing of plan valuations.
- Sec. 508. Section 457 inapplicable to certain mirror plans.
- Sec. 509. Substantial owner benefits in terminated plans.
- Sec. 510. ESOP dividends may be reinvested without loss of dividend deduction.
- Sec. 511. Modification of 403(b) exclusion allowance to conform to 415 modification.
- Sec. 512. Treatment of multiemployer plans under section 415.
- Sec. 513. Elimination of partial termination rules for multiemployer plans.
- Sec. 514. Notice and consent period regarding distributions.
- Sec. 515. Conforming amendments relating to election to receive taxable cash compensation in lieu of nontaxable parking benefits.
- Sec. 516. Extension to international organizations of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
- Sec. 517. Employees of tax-exempt entities.
- Sec. 518. Permissive aggregation of collective bargaining units.
- Sec. 519. Repeal of transition rule relating to certain highly compensated employees.
- Sec. 520. Clarification of treatment of employer-provided retirement advice.
- Sec. 521. Annual report dissemination.
- Sec. 522. Excess benefit plans.
- Sec. 523. Benefit suspension notice.
- Sec. 524. Provisions relating to plan amendments.
- Sec. 525. Reporting simplification.
- Sec. 526. Model plans for small businesses.

1 **TITLE I—EXPANDING COVERAGE**

2 **SEC. 101. RESTORATION OF LIMITS FORMERLY IN EFFECT.**

3 (a) DEFINED BENEFIT PLANS.—

4 (1) DOLLAR LIMIT.—(A) Subparagraph (A) of
5 section 415(b)(1) (relating to limitation for defined
6 benefit plans) is amended by striking “\$90,000” and
7 inserting “\$180,000”.

8 (B) Subparagraphs (C) and (D) of section
9 415(b)(2) are each amended by striking “\$90,000”
10 each place it appears in the headings and the text
11 and inserting “\$180,000”.

12 (C) Paragraph (7) of section 415(b) (relating to
13 benefits under certain collectively bargained plans) is
14 amended by striking “the greater of \$68,212 or one-
15 half the amount otherwise applicable for such year
16 under paragraph (1)(A) for ‘\$90,000’” and insert-
17 ing “one-half the amount otherwise applicable for
18 such year under paragraph (1)(A) for ‘\$180,000’”.

19 (2) LIMIT REDUCED WHEN BENEFIT BEGINS
20 BEFORE AGE 62.—Subparagraph (C) of section
21 415(b)(2) is amended by striking “the social security
22 retirement age” each place it appears in the heading
23 and text and inserting “age 62”.

24 (3) LIMIT INCREASED WHEN BENEFIT BEGINS
25 AFTER AGE 65.—Subparagraph (D) of section

1 415(b)(2) is amended by striking “the social security
2 retirement age” each place it appears in the heading
3 and text and inserting “age 65”.

4 (4) MULTIEMPLOYER PLANS AND PLANS MAIN-
5 TAINED BY GOVERNMENTS AND TAX EXEMPT ORGA-
6 NIZATIONS.—Subparagraph (F) of section 415(b)(2)
7 is amended to read as follows:

8 “(F) MULTIEMPLOYER PLANS AND PLANS
9 MAINTAINED BY GOVERNMENTS AND TAX EX-
10 EMPT ORGANIZATIONS.—

11 “(i) IN GENERAL.—In the case of a
12 governmental plan (within the meaning of
13 section 414(d)), a plan maintained by an
14 organization (other than a governmental
15 unit) exempt from tax under this subtitle,
16 a multiemployer plan (as defined in section
17 414(f)), or a qualified merchant marine
18 plan, subparagraph (C) shall be applied as
19 if the last sentence thereof read as follows:
20 ‘The reduction under this subparagraph
21 shall not reduce the limitation of para-
22 graph (1)(A) below (i) \$130,000 if the
23 benefit begins at or after age 55, or (ii) if
24 the benefit begins before age 55, the equiv-

1 alent of the \$130,000 limitation for age
2 55.’

3 “(ii) DEFINITIONS.—For purposes of
4 this subparagraph—

5 “(I) QUALIFIED MERCHANT MA-
6 RINE PLAN.—The term ‘qualified mer-
7 chant marine plan’ means a plan in
8 existence on January 1, 1986, the
9 participants in which are merchant
10 marine officers holding licenses issued
11 by the Secretary of Transportation
12 under title 46, United States Code.

13 “(II) EXEMPT ORGANIZATION
14 PLAN COVERING 50 PERCENT OF ITS
15 EMPLOYEES.—A plan shall be treated
16 as a plan maintained by an organiza-
17 tion (other than a governmental unit)
18 exempt from tax under this subtitle if
19 at least 50 percent of the employees
20 benefiting under the plan are employ-
21 ees of an organization (other than a
22 governmental unit) exempt from tax
23 under this subtitle. If less than 50
24 percent of the employees benefiting
25 under a plan are employees of an or-

1 organization (other than a governmental
 2 unit) exempt from tax under this sub-
 3 title, the plan shall be treated as a
 4 plan maintained by an organization
 5 (other than a governmental unit) ex-
 6 empt from tax under this subtitle only
 7 with respect to employees of such an
 8 organization.”.

9 (5) COST-OF-LIVING ADJUSTMENTS.—Sub-
 10 section (d) of section 415 (related to cost-of-living
 11 adjustments) is amended—

12 (A) in paragraph (1)(A) by striking
 13 “\$90,000” and inserting “\$180,000”, and

14 (B) in paragraph (3)(A)—

15 (i) by striking “\$90,000” in the head-
 16 ing and inserting “\$180,000”, and

17 (ii) by striking “October 1, 1986” and
 18 inserting “July 1, 1999”.

19 (b) DEFINED CONTRIBUTION PLANS.—

20 (1) DOLLAR LIMIT.—Subparagraph (A) of sec-
 21 tion 415(c)(1) (relating to limitation for defined con-
 22 tribution plans) is amended by striking “\$30,000”
 23 and inserting “\$45,000”.

1 (2) COST-OF-LIVING ADJUSTMENTS.—Sub-
 2 section (d) of section 415 (related to cost-of-living
 3 adjustments) is amended—

4 (A) in paragraph (1)(C) by striking
 5 “\$30,000” and inserting “\$45,000”, and

6 (B) in paragraph (3)(D)—

7 (i) by striking “\$30,000” in the head-
 8 ing and inserting “\$45,000”, and

9 (ii) by striking “October 1, 1993” and
 10 inserting “July 1, 1999”.

11 (c) QUALIFIED TRUSTS.—

12 (1) COMPENSATION LIMIT.—Sections
 13 401(a)(17), 404(l), 408(k), and 505(b)(7) are each
 14 amended by striking “\$150,000” each place it ap-
 15 pears and inserting “\$235,000”.

16 (2) BASE PERIOD AND ROUNDING OF COST-OF-
 17 LIVING ADJUSTMENT.—Subparagraph (B) of section
 18 401(a)(17) is amended—

19 (A) by striking “October 1, 1993” and in-
 20 serting “July 1, 1999”, and

21 (B) by striking “\$10,000” both places it
 22 appears and inserting “\$5,000”.

23 (d) ELECTIVE DEFERRALS.—

24 (1) IN GENERAL.—Paragraphs (1) and (5) of
 25 section 402(g) (relating to limitation on exclusion

1 for elective deferrals) are each amended by striking
2 “\$7,000” and inserting “\$15,000”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Section 402(g) (relating to limitation
5 on exclusion for elective deferrals), as amended
6 by paragraph (1), is further amended by strik-
7 ing paragraph (4) and redesignating para-
8 graphs (5), (6), (7), (8), and (9) as paragraphs
9 (4), (5), (6), (7), and (8), respectively.

10 (B) Clause (iii) of section 501(c)(18)(D) is
11 amended by striking “(other than paragraph
12 (4) thereof)”.

13 (e) DEFERRED COMPENSATION PLANS OF STATE
14 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
15 ZATIONS.—Section 457 (relating to deferred compensation
16 plans of State and local governments and tax-exempt orga-
17 nizations) is amended—

18 (1) in subsections (b)(2)(A), (c)(1), and (e)(15)
19 by striking “\$7,500” each place it appears and in-
20 serting “\$15,000”,

21 (2) in subsection (b)(3)(A) by striking
22 “\$15,000” and inserting “\$30,000”, and

23 (3) in subsection (e)(15)—

1 (A) by inserting “and the \$30,000 amount
 2 specified in subsection (b)(3)(A)” after
 3 “(c)(1)”, and

4 (B) by striking “September 30, 1994” and
 5 inserting “September 30, 1999”.

6 (f) SIMPLE RETIREMENT ACCOUNTS.—

7 (1) LIMITATION.—Sections 408(p)(2)(A)(ii),
 8 408(p)(2)(E), 401(k)(11)(B)(i)(I), and
 9 401(k)(11)(E) are each amended by striking
 10 “\$6,000” and inserting “\$10,000”.

11 (2) BASE PERIOD FOR COST-OF-LIVING ADJUST-
 12 MENT.—Subparagraph (E) of section 408(p)(2) is
 13 amended by striking “September 30, 1996” and in-
 14 serting “September 30, 1999”.

15 (g) COST-OF-LIVING ADJUSTMENTS.—

16 (1) PLANS MAINTAINED BY GOVERNMENTS AND
 17 TAX EXEMPT ORGANIZATIONS.—Paragraph (1) of
 18 section 415(d) (as amended by subsection (b)) is
 19 amended by striking “and” at the end of subpara-
 20 graph (B), by redesignating subparagraph (C) as
 21 subparagraph (D), and by inserting after subpara-
 22 graph (B) the following new subparagraph:

23 “(C) the \$130,000 amount in subsection
 24 (b)(2)(F), and”.

1 (2) BASE PERIOD.—Paragraph (3) of section
2 415(d) (as amended by subsection (b)) is further
3 amended by redesignating subparagraph (D) as sub-
4 paragraph (E) and by inserting after subparagraph
5 (C) the following new subparagraph:

6 “(D) \$130,000 AMOUNT.—The base period
7 taken into account for purposes of paragraph
8 (1)(C) is the calendar quarter beginning July 1,
9 1999.”.

10 (3) ROUNDING RULE RELATING TO DEFINED
11 BENEFIT PLANS AND DEFINED CONTRIBUTION
12 PLANS.—Paragraph (4) of section 415(d) is amend-
13 ed to read as follows:

14 “(4) ROUNDING.—

15 “(A) \$180,000 AMOUNT.—Any increase
16 under subparagraph (A) of paragraph (1) which
17 is not a multiple of \$5,000 shall be rounded to
18 the next lowest multiple of \$5,000.

19 “(B) \$130,000 AND \$45,000 AMOUNTS.—
20 Any increase under subparagraph (C) or (D) of
21 paragraph (1) which is not a multiple of \$1,000
22 shall be rounded to the next lowest multiple of
23 \$1,000.”.

24 (4) CONFORMING AMENDMENT.—Subparagraph
25 (D) of section 415(d)(3) (as amended by paragraph

1 (2)) is amended by striking “paragraph (1)(C)” and
2 inserting “paragraph (1)(D)”.

3 (h) INCREASE IN AMOUNT OF DEDUCTIBLE IRA
4 CONTRIBUTIONS.—

5 (1) INCREASE IN MAXIMUM AMOUNT OF DEDUC-
6 TION.—Subparagraph (A) of section 219(b)(1) (re-
7 lating to maximum amount of deduction) is amended
8 by striking “\$2,000” and inserting “\$5,000”.

9 (2) CONFORMING AMENDMENTS.—

10 (A) Subsections (a)(1), (b)(2), (j), and
11 (p)(8) of section 408 are each amended by
12 striking “\$2,000” each place it appears and in-
13 serting “\$5,000”.

14 (B) Clause (i) of section 408(o)(2)(B) is
15 amended by inserting “the lesser of \$2,000, or”
16 after “means”.

17 (C) Paragraph (2) of section 408A(c) is
18 amended by inserting “the lesser of \$2,000, or”
19 after “shall not exceed”.

20 (D) Subparagraph (B) of section
21 4973(b)(1) is amended by inserting “(or in the
22 case of a nondeductible individual retirement
23 plan, the amount allowable as a contribution
24 under section 408(o))” after “contributions,”.

25 (i) EFFECTIVE DATE.—

1 (1) IN GENERAL.—The amendments made by
 2 this section shall apply to years beginning after De-
 3 cember 31, 1999.

4 (2) COLLECTIVE BARGAINING AGREEMENTS.—
 5 In the case of a plan maintained pursuant to 1 or
 6 more collective bargaining agreements between em-
 7 ployee representatives and 1 or more employers rati-
 8 fied by the date of enactment of this Act, the
 9 amendments made by this section shall not apply to
 10 contributions or benefits pursuant to any such
 11 agreement for years beginning before the earlier
 12 of—

13 (A) the later of—

14 (i) the date on which the last of such
 15 collective bargaining agreements termi-
 16 nates (determined without regard to any
 17 extension thereof on or after such date of
 18 enactment), or

19 (ii) January 1, 2000, or

20 (B) January 1, 2004.

21 **SEC. 102. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-**
 22 **NERS, AND SOLE PROPRIETORS.**

23 (a) AMENDMENT TO 1986 CODE.—Subsection (f) of
 24 section 4975 (relating to other definitions and special
 25 rules) is amended by striking paragraph (6).

1 (b) AMENDMENTS TO ERISA.—

2 (1) Section 408 of the Employee Retirement In-
3 come Security Act of 1974 (29 U.S.C. 1108) is
4 amended—

5 (A) by striking subsection (d); and

6 (B) by redesignating subsections (e) and
7 (f) as subsections (d) and (e), respectively.

8 (2) Section 407(b)(3)(B) of such Act (29
9 U.S.C. 1107(b)(3)(B)) is amended by striking “sec-
10 tion 408(e)” and inserting “section 408(d)”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall take effect on the date of enactment of
13 this Act.

14 **SEC. 103. SALARY REDUCTION ONLY SIMPLE PLANS.**

15 (a) SIMPLE RETIREMENT ACCOUNTS.—

16 (1) IN GENERAL.—Paragraph (2) of section
17 408(p) (as amended by section 101(f)) is further
18 amended—

19 (A) by redesignating subparagraphs (C),
20 (D), and (E) as subparagraphs (D), (E), and
21 (F), respectively; and

22 (B) by inserting after subparagraph (B)
23 the following:

24 “(C) EMPLOYER MAY ELECT SALARY RE-
25 DUCATION ONLY ARRANGEMENT.—

1 “(i) IN GENERAL.—An employer shall
2 be treated as meeting the requirements of
3 subparagraph (A)(iii) for any year if, in
4 lieu of the contributions described in such
5 subparagraph, the employer elects to limit
6 the amount which an employee may elect
7 under subparagraph (A)(i) to a total of
8 \$5,000 for the year. If an employer makes
9 an election under this subparagraph for
10 any year, the employer shall notify employ-
11 ees of such election within a reasonable pe-
12 riod of time before the 60-day period for
13 such year under paragraph (5)(C).

14 “(ii) EXCEPTION.—This subpara-
15 graph shall not apply to an employer if
16 such employer (or any predecessor em-
17 ployer) maintained another qualified plan
18 (as defined in subparagraph (D)(ii)) with
19 respect to which contributions were made,
20 or benefits were accrued, for service during
21 the year in which the arrangement de-
22 scribed in clause (i) became effective or ei-
23 ther of the 2 preceding years. If only indi-
24 viduals other than employees described in
25 subparagraph (A) of section 410(b)(3) are

1 eligible to participate in the arrangement
 2 described in clause (i), then the preceding
 3 sentence shall be applied without regard to
 4 any qualified plan in which only employees
 5 so described are eligible to participate.”.

6 (2) SPECIAL RULE FOR ACQUISITIONS, DISPOS-
 7 TIONS, AND SIMILAR TRANSACTIONS.—Subpara-
 8 graph (B) of section 408(p)(10) is amended by
 9 striking “and” at the end of clause (ii), by striking
 10 the period at the end of clause (iii) and inserting
 11 “; and”, and by inserting after clause (iii) the fol-
 12 lowing:

13 “(iv) the requirement under para-
 14 graph (2)(C) that the employer not have
 15 maintained another qualified plan de-
 16 scribed therein.”.

17 (3) COST-OF-LIVING ADJUSTMENT.—Subpara-
 18 graph (F) of section 408(p)(2) (as so redesignated)
 19 is amended by inserting “and the \$5,000 amount
 20 under subparagraph (C)” after “subparagraph
 21 (A)(ii)”.

22 (4) COORDINATION WITH MAXIMUM LIMITA-
 23 TION.—Paragraph (8) of section 408(p) (relating to
 24 coordination with maximum limitation under sub-
 25 section (a)) is amended by striking “paragraph

1 (2)(A)(ii) of this subsection” and inserting “sub-
 2 paragraph (A)(ii) or (C) of paragraph (2) of this
 3 subsection, whichever is applicable,”.

4 (5) CONFORMING AMENDMENT.—Clause (ii) of
 5 section 408(p)(10)(B) is amended by striking “para-
 6 graph (2)(D)” and inserting “paragraph (2)(E)”.

7 (b) ADOPTION OF SIMPLE PLAN TO MEET NON-
 8 DISCRIMINATION TESTS.—

9 (1) SIMPLE PLAN.—Subparagraph (B) of sec-
 10 tion 401(k)(11) is amended by redesignating clause
 11 (iii) as clause (iv) and by inserting after clause (ii)
 12 the following new clause:

13 “(iii) EMPLOYER MAY ELECT SALARY
 14 REDUCTION ONLY ARRANGEMENT.—

15 “(I) IN GENERAL.—An employer
 16 shall be treated as meeting the re-
 17 quirements of clause (i)(II) for any
 18 year if, in lieu of the contributions de-
 19 scribed in such clause, the employer
 20 elects to limit the amount which an
 21 employee may elect under clause (i) to
 22 a total of \$5,000 for the year. If an
 23 employer makes an election under this
 24 clause for any year, the employer shall
 25 notify employees of such election with-

1 in a reasonable period of time before
2 the 60-day period for such year under
3 clause (iv)(II).

4 “(II) EXCEPTION.—This clause
5 shall not apply to an employer if such
6 employer (or any predecessor em-
7 ployer) maintained another qualified
8 plan (as defined in section
9 408(p)(2)(D)(ii)) with respect to
10 which contributions were made, or
11 benefits were accrued, for service dur-
12 ing the year in which the arrangement
13 described in subclause (I) became ef-
14 fective or either of the 2 preceding
15 years. This subclause shall not apply
16 if such contributions or benefits were
17 solely on behalf of employees who are
18 not eligible to participate in the ar-
19 rangement described in subclause
20 (I).”.

21 (2) COST-OF-LIVING ADJUSTMENT.—Subpara-
22 graph (E) of section 401(k)(11) is amended by in-
23 serting “and the \$5,000 amount under subpara-
24 graph (B)(iii)” after “subparagraph (B)(i)(I)”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to years beginning after December
 3 31, 1999.

4 **SEC. 104. MODIFICATION OF TOP-HEAVY RULES.**

5 (a) REPEAL OF FAMILY AGGREGATION RULES.—
 6 Section 416(i)(1)(B)(i)(I) (defining 5-percent owner) is
 7 amended by inserting “(without regard to subsection
 8 (a)(1) thereof)” after “section 318”.

9 (b) SIMPLIFICATION OF DEFINITION OF KEY EM-
 10 PLOYEE.—

11 (1) IN GENERAL.—Section 416(i)(1)(A) (defin-
 12 ing key employee) is amended—

13 (A) by striking “or any of the 4 preceding
 14 plan years” in the matter preceding clause (i),

15 (B) by striking clause (i) and inserting the
 16 following:

17 “(i) an officer of the employer who
 18 has compensation from the employer of
 19 more than \$150,000,”

20 (C) by striking clause (ii) and redesignat-
 21 ing clauses (iii) and (iv) as clauses (ii) and (iii),
 22 respectively, and

23 (D) by striking the second sentence in the
 24 matter following clause (iii), as redesignated by
 25 subparagraph (C).

1 (2) CONFORMING AMENDMENT.—Section
 2 416(i)(1)(B)(iii) is amended by striking “and sub-
 3 paragraph (A)(ii)”.

4 (c) EMPLOYEE ELECTIVE CONTRIBUTIONS TO PLAN
 5 NOT TAKEN INTO ACCOUNT.—

6 (1) DEFINITION OF TOP-HEAVY PLAN.—Section
 7 416(g)(4) (relating to other special rules) is amend-
 8 ed by adding at the end the following:

9 “(H) EMPLOYEE ELECTIVE CONTRIBU-
 10 TIONS TO PLAN NOT TAKEN INTO ACCOUNT.—
 11 At the election of the employer, any employee
 12 elective contribution described in section
 13 415(c)(3)(D) to a plan (and earnings allocable
 14 thereto) shall not be taken into account for pur-
 15 poses of determining whether a plan is a top-
 16 heavy plan (or whether any aggregation group
 17 which includes such plan is a top-heavy
 18 group).”.

19 (2) DEFINITION OF COMPENSATION.—Section
 20 416(i)(1)(D) (defining compensation) is amended to
 21 read as follows:

22 “(D) COMPENSATION.—

23 “(i) IN GENERAL.—For purposes of
 24 this paragraph, except as provided in
 25 clause (ii), the term ‘compensation’ has the

1 meaning given such term by section
2 414(q)(4).

3 “(ii) EMPLOYEE ELECTIVE CONTRIBU-
4 TIONS TO PLAN NOT TAKEN INTO AC-
5 COUNT.—At the election of the employer,
6 any employee elective contribution de-
7 scribed in section 415(c)(3)(D) to a plan
8 shall not be taken into account for pur-
9 poses of determining compensation.”.

10 (d) MATCHING CONTRIBUTIONS TAKEN INTO AC-
11 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—
12 Section 416(c)(2)(A) (relating to defined contribution
13 plans) is amended by adding at the end the following:
14 “Employer matching contributions (as defined in section
15 401(m)(4)(A)) shall be taken into account for purposes
16 of this subparagraph.”.

17 (e) REQUIREMENTS FOR QUALIFICATIONS.—Clause
18 (ii) of section 401(a)(10)(B) (relating to requirements for
19 qualifications for top-heavy plans) is amended by adding
20 at the end the following new flush sentence:

21 “The preceding sentence shall not apply to
22 a plan if the plan is not top-heavy and if
23 it is not reasonable to expect that the plan
24 will become top-heavy.”.

1 (f) DISTRIBUTIONS DURING LAST YEAR BEFORE
 2 DETERMINATION DATE TAKEN INTO ACCOUNT.—Section
 3 416(g) is amended—

4 (1) in paragraph (3)—

5 (A) by striking “LAST 5 YEARS” in the
 6 heading and inserting “LAST YEAR BEFORE DE-
 7 TERMINATION DATE”, and

8 (B) in the matter following subparagraph
 9 (B), by striking “5-year period” and inserting
 10 “1-year period”, and

11 (2) in paragraph (4)(E)—

12 (A) by striking “LAST 5 YEARS” in the
 13 heading and inserting “LAST YEAR BEFORE DE-
 14 TERMINATION DATE”, and

15 (B) by striking “5-year period” and insert-
 16 ing “1-year period”.

17 (g) DEFINITION OF TOP-HEAVY PLANS.—

18 (1) EXCLUSION OF CERTAIN PLANS FROM DEFINI-
 19 TION OF TOP-HEAVY PLAN.—Paragraph (4) of sec-
 20 tion 416(d) (relating to other special rules for top-
 21 heavy plans) is amended by adding at the end the
 22 following new subparagraphs:

23 “(H) CASH OR DEFERRED ARRANGEMENTS
 24 USING ALTERNATIVE METHODS OF MEETING
 25 NONDISCRIMINATION REQUIREMENTS.—The

1 term ‘top-heavy plan’ shall not include a cash
2 or deferred arrangement to the extent that such
3 arrangement meets the requirements of section
4 401(k)(12). This subparagraph shall also apply
5 to contributions that are not required to satisfy
6 the requirements of section 401(k)(12) but are
7 consistent with the purposes of such section, as
8 permitted under regulations which the Sec-
9 retary shall prescribe. Nothing in this subpara-
10 graph shall preclude an employer from taking
11 into account contributions made under the cash
12 or deferred arrangement when determining
13 whether any plan of such employer satisfies the
14 requirements of this section.

15 “(I) DEFINED CONTRIBUTION PLANS
16 USING ALTERNATIVE METHODS OF MEETING
17 NONDISCRIMINATION REQUIREMENTS.—The
18 term ‘top-heavy plan’ shall not include a de-
19 fined contribution plan to the extent that such
20 plan meets the requirements of section
21 401(m)(11). This subparagraph shall also apply
22 to contributions that are not required to satisfy
23 the requirements of section 401(m)(11) but are
24 consistent with the purposes of such section, as
25 permitted under regulations which the Sec-

1 retary shall prescribe. Nothing in this subpara-
 2 graph shall preclude an employer from taking
 3 into account contributions made under the de-
 4 fined contribution plan when determining
 5 whether any plan of such employer satisfies the
 6 requirements of this section.”.

7 (2) AGGREGATION GROUP NOT REQUIRED TO
 8 INCLUDE CERTAIN PLANS.—Clause (i) of section
 9 416(g)(2)(A) of such Code (relating to required ag-
 10 gregation) is amended by adding at the end the fol-
 11 lowing new flush sentence:

12 “Such term shall not include a plan or ar-
 13 rangement described in subparagraph (H)
 14 or (I) of paragraph (4).”.

15 (h) ELECTIVE DEFERRALS NOT TAKEN INTO AC-
 16 COUNT.—Clause (i) of section 416(c)(2)(B) (relating to
 17 special rule where maximum contribution less than 3 per-
 18 cent) is amended by inserting “(other than elective defer-
 19 rals (as defined in section 402(g)(3))” after “contribu-
 20 tions”.

21 (i) FROZEN PLAN EXEMPT FROM MINIMUM BENE-
 22 FIT REQUIREMENT.—Subparagraph (C) of section
 23 416(c)(1) (relating to defined benefit plans) is amended—
 24 (1) in clause (i) by striking “clause (ii)” and in-
 25 serting “clause (ii) or (iii)”, and

1 (2) by adding at the end the following:

2 “(iii) For purposes of determining an
3 employee’s years of service with the em-
4 ployer, any service with the employer shall
5 be disregarded to the extent that such
6 service occurs during a plan year when no
7 employee or former employee benefits
8 under the plan within the meaning of sec-
9 tion 410(b).”.

10 (j) ALTERNATIVE 60 PERCENT.—Subsection (g) of
11 section 416 (relating to top heavy plan defined) is amend-
12 ed by adding at the end the following:

13 “(5) ALTERNATIVE 60 PERCENT TEST.—

14 “(A) IN GENERAL.—For any plan year, an
15 employer may elect for this paragraph to apply
16 to all plans maintained by such employer. If
17 this paragraph applies to a plan, the term ‘top-
18 heavy plan’ shall have the meaning set forth in
19 subparagraph (B) and the term ‘top-heavy
20 group’ shall have the meaning set forth in sub-
21 paragraph (C).

22 “(B) TOP-HEAVY PLAN DEFINED.—In the
23 case of any plan to which this paragraph ap-
24 plies, the term ‘top-heavy plan’ means, with re-
25 spect to any plan year—

1 “(i) any defined benefit plan if, for
2 the plan year ending on the determination
3 date, the present value of the accruals for
4 key employees exceeds 60 percent of the
5 present value of the accruals for all em-
6 ployees, and

7 “(ii) any defined contribution plan if,
8 for the plan year ending on the determina-
9 tion date, the annual additions for key em-
10 ployees exceed 60 percent of the annual
11 additions for all employees.

12 “(C) TOP-HEAVY GROUP.—In the case of
13 any plan to which this paragraph applies, the
14 term ‘top-heavy group’ means any aggregation
15 group if—

16 “(i) the sum, for the plan year ending
17 on the determination date, of—

18 “(I) the present value of the ac-
19 cruals for key employees under all de-
20 fined benefit plans included in such
21 group, and

22 “(II) the aggregate of the annual
23 additions of key employees under all
24 defined contribution plans included in
25 such group,

1 “(ii) exceeds 60 percent of a similar
2 sum determined for all employees.

3 “(D) ANNUAL ADDITION.—For purposes of
4 this paragraph, the term ‘annual addition’ shall
5 have the same meaning as when used in section
6 415(c)(2) (without regard to section 415(l) or
7 section 419A(d)(2)).

8 “(E) CERTAIN RULES NOT TO APPLY.—
9 Paragraphs (3) and (4) (other than subpara-
10 graphs (B), (C), (D), (E), and (G) of para-
11 graph (4)) shall not apply for purposes of this
12 paragraph.”.

13 (k) CONFORMING AMENDMENTS.—

14 (1) Subparagraph (A) of section 416(g)(1) is
15 amended by striking “subparagraph (B)” and insert-
16 ing “subparagraph (B) and paragraph (5)”.

17 (2) Subparagraph (B) of section 416(g)(2) is
18 amended by striking “The term” and inserting “Ex-
19 cept as provided in paragraph (5), the term”.

20 (3) Subparagraph (A) of section 415(b)(5) is
21 amended by adding at the end the following: “An
22 employee shall not be credited with a year of partici-
23 pation in a defined benefit plan for any year in
24 which such employee does not benefit under the plan
25 within the meaning of section 410(b).”.

1 (l) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to years beginning after December
 3 31, 1999.

4 **SEC. 105. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**
 5 **COUNT FOR PURPOSES OF LIMITS.**

6 (a) IN GENERAL.—Section 404 is amended by adding
 7 at the end the following new subsection:

8 “(n) ELECTIVE DEFERRALS NOT TAKEN INTO AC-
 9 COUNT FOR PURPOSES OF LIMITS.—Elective deferrals (as
 10 defined in section 402(g)(3)) shall not be subject to any
 11 limitations described in this section (other than subsection
 12 (a)), and such elective deferrals shall not be taken into
 13 account in applying such limitations to any other contribu-
 14 tions.”.

15 (b) CONFORMING AMENDMENTS.—Paragraph (3) of
 16 section 4972(c) is amended to read as follows:

17 “(3) CONTRIBUTIONS NOT TAKEN INTO AC-
 18 COUNT.—In determining the amount of nondeduct-
 19 ible contributions for any taxable year, there shall
 20 not be taken into account—

21 “(A) any elective deferral (as defined in
 22 section 402(g)(3)), or

23 “(B) any contribution for such taxable
 24 year which is distributed to the employer in a
 25 distribution described in section

1 4980(c)(2)(B)(ii) if such distribution is made
 2 on or before the last day on which a contribu-
 3 tion may be made for such taxable year under
 4 section 404(a)(6).”.

5 (c) EFFECTIVE DATE.—The amendment made by
 6 this section shall apply to years beginning after December
 7 31, 1999.

8 **SEC. 106. REDUCED PBGC PREMIUM FOR NEW PLANS OF**
 9 **SMALL EMPLOYERS.**

10 (a) IN GENERAL.—Subparagraph (A) of section
 11 4006(a)(3) of the Employee Retirement Income Security
 12 Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

13 (1) by inserting “other than a new single-em-
 14 ployer plan of a small employer (as defined in clause
 15 (iv)),” after “in the case of a single-employer plan,”
 16 in clause (i),

17 (2) by striking the period at the end of clause
 18 (iii) and inserting “; and”, and

19 (3) by inserting after clause (iii) the following
 20 new clause:

21 “(iv) in the case of a new single-employer plan
 22 of a small employer, \$5 for each individual who is
 23 a participant in such plan during the plan year. For
 24 purposes of this clause (iv):

1 “(I) The term ‘new single-employer plan’
2 means a single-employer plan during its first
3 five plan years; provided, however, that a sin-
4 gle-employer plan is not a new single-employer
5 plan if any contributing sponsor or any member
6 of its controlled group (including any prede-
7 cessor of a contributing sponsor or member of
8 such predecessor’s controlled group) had estab-
9 lished or maintained a plan to which this title
10 applied that included substantially the same
11 employees as such new plan, at any time within
12 the 36-month period preceding the adoption of
13 such new plan.

14 “(II) The term ‘small employer’ means a
15 contributing sponsor that on the first day of the
16 plan year has, in combination with all members
17 of its controlled group, 100 or fewer employees.

18 “(III) In the case of a plan maintained by
19 two or more contributing sponsors that are not
20 part of the same controlled group, the employ-
21 ees of all contributing sponsors and their con-
22 trolled groups shall be aggregated for purposes
23 of determining whether the plan shall be consid-
24 ered to be a plan of a small employer.”.

1 (b) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to plan years beginning after De-
 3 cember 31, 1999.

4 **SEC. 107. PHASE-IN OF ADDITIONAL PREMIUM FOR NEW**
 5 **PLANS.**

6 (a) IN GENERAL.—Subparagraph (E) of section
 7 4006(a)(3) of the Employee Retirement Income Security
 8 Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended—

9 (1) by inserting “(or, in the case of a new sin-
 10 gle-employer plan described in clause (vi), the
 11 amount determined under clause (v))” after “deter-
 12 mined under clause (ii)” in clause (i), and

13 (2) by inserting after clause (iv) the following
 14 new clauses:

15 “(v) The amount determined under this clause for
 16 any plan year of a new single-employer plan (as described
 17 in clause (vi)) shall be an amount equal to the product
 18 derived by multiplying the amount determined under
 19 clause (ii) by the applicable percentage. For purposes of
 20 this clause (v), the term ‘applicable percentage’ means—

21 “(I) 0 percent, for the first plan year,

22 “(II) 20 percent, for the second plan year,

23 “(III) 40 percent, for the third plan year,

24 “(IV) 60 percent, for the fourth plan year, and

25 “(V) 80 percent, for the fifth plan year.

1 “(vi) For purposes of clause (v), the term ‘new single-
 2 employer plan’ means a single-employer plan during its
 3 first five plan years; provided, however, that a single-em-
 4 ployer plan is not a new single-employer plan if any con-
 5 tributing sponsor or any member of its controlled group
 6 (including any predecessor of a contributing sponsor or
 7 member of such predecessor’s controlled group) had estab-
 8 lished or maintained a plan to which this title applied that
 9 included substantially the same employees as such new
 10 plan, at any time within the 36-month period preceding
 11 the adoption of such new plan.”.

12 (b) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to plan years beginning after De-
 14 cember 31, 1999.

15 **SEC. 108. REPEAL OF COORDINATION REQUIREMENTS FOR**
 16 **DEFERRED COMPENSATION PLANS OF STATE**
 17 **AND LOCAL GOVERNMENTS AND TAX-EX-**
 18 **EMPT ORGANIZATIONS.**

19 (a) IN GENERAL.—Subsection (c) of section 457 (re-
 20 lating to deferred compensation plans of State and local
 21 governments and tax-exempt organizations) is amended to
 22 read as follows:

23 “(c) LIMITATION.—The maximum amount of the
 24 compensation of any one individual which may be deferred
 25 under subsection (a) during any taxable year shall not ex-

ceed \$15,000 (as modified by any adjustment provided under subsection (b)(3)).”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to years beginning after December 31, 1999.

SEC. 109. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) **ELIMINATION OF CERTAIN USER FEES.**—The Secretary of the Treasury or the Secretary’s delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan.

(b) **PENSION BENEFIT PLAN.**—For purposes of this section, the term ‘pension benefit plan’ means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

(c) **ELIGIBLE EMPLOYER.**—For purposes of this section, the term “eligible employer” has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall

1 be made as of the date of the request described in sub-
 2 section (a).

3 (d) EFFECTIVE DATE.—The provisions of this sec-
 4 tion shall apply with respect to requests made after De-
 5 cember 31, 1999.

6 **SEC. 110. ALTERNATIVE METHOD OF MEETING NON-**
 7 **DISCRIMINATION REQUIREMENTS FOR AUTO-**
 8 **MATIC CONTRIBUTION TRUST.**

9 (a) IN GENERAL.—Section 401(k) (relating to cash
 10 or deferred arrangement) is amended by adding at the end
 11 the following new paragraph:

12 “(13) NONDISCRIMINATION REQUIREMENTS
 13 FOR AUTOMATIC CONTRIBUTION TRUSTS.—

14 “(A) IN GENERAL.—A cash or deferred ar-
 15 rangement shall be treated as meeting the re-
 16 quirements of paragraph (3)(A)(ii) if such ar-
 17 rangement constitutes an automatic contribu-
 18 tion trust.

19 “(B) AUTOMATIC CONTRIBUTION TRUST.—
 20 For purposes of this paragraph, the term ‘auto-
 21 matic contribution trust’ means an
 22 arrangement—

23 “(i) under which each employee eligi-
 24 ble to participate in the arrangement is
 25 treated as having elected to have the em-

1 ployer make elective contributions in an
2 amount equal to the uniform percentage
3 (not less than 3 percent) of compensation
4 provided under the arrangement until the
5 employee specifically elects not to have
6 such contributions made, and

7 “(ii) which meets the other require-
8 ments of this paragraph.

9 Clause (i) of this subparagraph shall not apply
10 to any employee who was eligible to participate
11 in the arrangement (or a predecessor arrange-
12 ment) immediately before the first date on
13 which the arrangement is an automatic con-
14 tribution trust. The election treated as having
15 been made under clause (i) shall cease to apply
16 to compensation paid after the specific election
17 by the employee.

18 “(C) PARTICIPATION.—

19 “(i) Except as provided in clause (ii),
20 an arrangement meets the requirements of
21 this subparagraph for any year if, during
22 the plan year or the preceding plan year,
23 elective contributions are made on behalf
24 of at least 70 percent of employees other

1 than highly compensated employees eligible
2 to participate in the arrangement.

3 “(ii) An arrangement (other than a
4 successor arrangement) shall be treated as
5 meeting the requirements of this subpara-
6 graph with respect to the first plan year in
7 which the arrangement is effective.

8 “(D) MATCHING OR NONELECTIVE CON-
9 TRIBUTIONS.—The requirements of this sub-
10 paragraph are met if, under the arrangement,
11 the employer—

12 “(i) makes matching contributions on
13 behalf of each employee who is not a highly
14 compensated employee in an amount equal
15 to 50 percent of the elective contributions
16 of the employee to the extent such elective
17 contributions do not exceed 5 percent of
18 compensation, or

19 “(ii) is required, without regard to
20 whether the employee makes an elective
21 contribution or employee contribution, to
22 make a contribution to a defined contribu-
23 tion plan on behalf of each employee who
24 is not a highly compensated employee and
25 who is eligible to participate in the ar-

1 rangement in an amount equal to at least
2 2 percent of the employee’s compensation.
3 The rules of clauses (ii), (iii), and (iv) of para-
4 graph (12)(B) shall apply for purposes of clause
5 (i).

6 “(E) VESTING.—The requirements of this
7 subparagraph are met if the requirements of
8 subparagraph (C) of paragraph (2) are met
9 with respect to all employer contributions (in-
10 cluding matching contributions) taken into ac-
11 count in determining whether the requirements
12 of subparagraph (B) or (C) are met.

13 “(F) NOTICE REQUIREMENTS.—

14 “(i) IN GENERAL.—The requirements
15 of this subparagraph are met if the re-
16 quirements of clauses (ii) and (iii) are met.

17 “(ii) REASONABLE PERIOD TO MAKE
18 ELECTION.—The requirements of this
19 clause are met if each employee to whom
20 subparagraph (B)(i) applies—

21 “(I) receives a notice explaining
22 the employee’s right under the ar-
23 rangement to elect not to have elective
24 contributions made on the employee’s
25 behalf, and

1 “(II) has a reasonable period of
 2 time after receipt of such notice and
 3 before the first elective contribution is
 4 made to make such election.

5 “(iii) ANNUAL NOTICE OF RIGHTS
 6 AND OBLIGATIONS.—The requirements of
 7 this clause are met if each employee eligi-
 8 ble to participate in the arrangement is,
 9 within a reasonable period before any year,
 10 given notice of the employee’s rights and
 11 obligations under the arrangement.

12 The requirements of clauses (i) and (ii) of para-
 13 graph (12)(D) shall be met with respect to the
 14 notices described in clauses (ii) and (iii) of this
 15 subparagraph.”.

16 (b) MATCHING CONTRIBUTIONS.—Section 401(m)
 17 (relating to nondiscrimination test for matching contribu-
 18 tions and employee contributions) is amended by redesignig-
 19 nating paragraph (12) as paragraph (13) and by inserting
 20 after paragraph (11) the following new paragraph:

21 “(12) ALTERNATIVE METHOD FOR AUTOMATIC
 22 CONTRIBUTION TRUSTS.—

23 “(A) IN GENERAL.—A defined contribution
 24 plan shall be treated as meeting the require-

1 ments of paragraph (2) with respect to match-
 2 ing contributions if the plan—

3 “(i) meets the contribution require-
 4 ments of subparagraphs (B)(i) and (D) of
 5 subsection (k)(13),

6 “(ii) meets the participation require-
 7 ments of subsection (k)(13)(C),

8 “(iii) meets the vesting and notice re-
 9 quirements of subparagraphs (E) and (F)
 10 of subsection (k)(13), and

11 “(iv) meets the requirements of para-
 12 graph (11)(B).

13 “(B) MATCHING CONTRIBUTIONS.—An an-
 14 nuity contract under section 403(b) shall be
 15 treated as meeting the requirements of para-
 16 graph (2) with respect to matching contribu-
 17 tions if such contract meets requirements simi-
 18 lar to the requirements under subparagraph
 19 (A).”.

20 (c) EXCLUSION FROM DEFINITION OF TOP-HEAVY
 21 PLANS.—Paragraph (4) of section 416(d) (relating to
 22 other special rules for top-heavy plans), as amended by
 23 section 104(g), is amended by adding at the end the fol-
 24 lowing new subparagraph:

1 “(J) AUTOMATIC CONTRIBUTION TRUST.—

2 The term ‘top-heavy plan’ shall not include an
3 automatic contribution trust under section
4 401(k)(13). Nothing in this subparagraph shall
5 preclude an employer from taking into account
6 contributions made under the automatic con-
7 tribution trust when determining whether any
8 plan of such employer satisfies the requirements
9 of this section.”.

10 (d) DEFINITION OF COMPENSATION.—

11 (1) IN GENERAL.—Paragraph (9) of section
12 401(k) is amended to read as follows:

13 “(9) COMPENSATION.—

14 “(A) IN GENERAL.—Except as provided in
15 subparagraph (B), for purposes of this section,
16 the term ‘compensation’ has the meaning given
17 such term by section 414(s).

18 “(B) USE OF BASE PAY.—For purposes of
19 paragraph (12)(B), the term ‘compensation’
20 means the definition of compensation used by
21 the cash or deferred arrangement if such
22 compensation—

23 “(i) meets the requirements of section
24 414(s), or

25 “(ii) constitutes base pay.

1 “(C) BASE PAY.—For purposes of sub-
 2 paragraph (B), the term ‘base pay’ means a
 3 reasonable definition of compensation that does
 4 not by design favor highly compensated employ-
 5 ees and that excludes on a consistent basis all
 6 irregular or additional compensation.”.

7 (2) AUTOMATIC CONTRIBUTION TRUSTS.—Para-
 8 graph (9)(B) of section 401(k) (as amended by
 9 paragraph (1)) is amended by striking “paragraph
 10 (12)(B)” and inserting “paragraphs (12)(B),
 11 (13)(B), and (13)(D)(i)”.

12 (3) MATCHING CONTRIBUTIONS.—Paragraph
 13 (11) of section 401(m) is amended by adding at the
 14 end the following:

15 “(C) DEFINITION OF COMPENSATION.—
 16 For purposes of subparagraph (B), the term
 17 “compensation” has the meaning given such
 18 term by subsection (k)(9)(B).”.

19 (e) APPLICATION BY YEAR OR PAYROLL PERIOD.—

20 (1) CASH OR DEFERRED ARRANGEMENTS.—
 21 Subparagraph (B) of section 401(k)(12) is amended
 22 by adding at the end the following:

23 “(iv) APPLICATION BY YEAR OR PAY-
 24 ROLL PERIOD.—The requirements of this

1 subparagraph may be met for a plan year
2 by meeting such requirements either—

3 “(I) with respect to the plan year
4 as a whole, or

5 “(II) separately with respect to
6 each payroll period (or other payment
7 of compensation) taken into account
8 under the arrangement for the plan
9 year.”.

10 (2) DEFINED CONTRIBUTION PLANS.—Para-
11 graph (11) of section 401(m) (as amended by this
12 section) is amended by adding at the end the follow-
13 ing:

14 “(D) APPLICATION BY YEAR OR PAYROLL
15 PERIOD.—The requirements of subparagraph
16 (B) may be met for a plan year by meeting
17 such requirements either—

18 “(i) with respect to the plan year as
19 a whole, or

20 “(ii) separately with respect to each
21 payroll period (or other payment of com-
22 pensation) taken into account under the
23 plan for the plan year.”.

1 (f) SECTION 403(b) CONTRACTS.—Paragraph (11) of
 2 section 401(m) (as amended by this section) is amended
 3 by adding at the end the following:

4 “(E) SECTION 403(B) CONTRACTS.—An an-
 5 nuity contract under section 403(b) shall be
 6 treated as meeting the requirements of para-
 7 graph (2) with respect to matching contribu-
 8 tions if such contract meets requirements simi-
 9 lar to the requirements under subparagraph
 10 (A).”.

11 (e) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as provided by para-
 13 graph (2), the amendments made by this section
 14 shall apply to plan years beginning after December
 15 31, 1999.

16 (2) EXCEPTION.—The amendments made by
 17 subsections (d)(1), (d)(3), (e), and (f) shall apply to
 18 years beginning after December 31, 1998.

19 **SEC. 111. DEDUCTION LIMITS.**

20 (a) IN GENERAL.—

21 (1) STOCK BONUS AND PROFIT SHARING
 22 TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i)
 23 (relating to stock bonus and profit sharing trusts) is
 24 amended by striking “15 percent” and inserting “25
 25 percent”.

1 (2) COMPENSATION.—Section 404(a) (relating
2 to general rule) is amended by adding at the end the
3 following:

4 “(12) DEFINITION OF COMPENSATION.—For
5 purposes of paragraphs (3), (7), and (9), the term
6 ‘compensation otherwise paid or accrued during the
7 taxable year’ shall include amounts treated as ‘par-
8 ticipant’s compensation’ under subparagraph (C) or
9 (D) of section 415(c)(3).”.

10 (3) DEFINED CONTRIBUTION PLANS.—Subpara-
11 graph (A) of section 404(a)(3) (relating to stock
12 bonus and profit sharing trusts) is amended by add-
13 ing at the end the following:

14 “(vi) DEFINED CONTRIBUTION PLANS
15 SUBJECT TO THE FUNDING STANDARDS.—
16 Except as provided by the Secretary, for
17 purposes of this subparagraph, a defined
18 contribution plan which is subject to the
19 funding standards of section 412 shall be
20 treated in the same manner as a stock
21 bonus or profit-sharing plan.”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Subparagraph (A) of section 404(a)(3) is
24 amended by striking clause (v) and by redesignating

1 clause (vi) (as added by subsection (a)(3) of this sec-
2 tion) as clause (v).

3 (2) Subparagraph (B) of section 404(a)(3) is
4 amended by striking the last sentence thereof.

5 (3) Subparagraph (D) of section 404(a)(8) is
6 amended by striking the period at the end and in-
7 serting the following: “, except that such earned in-
8 come shall be adjusted under rules similar to the
9 rules of paragraph (12).”.

10 (4) Subparagraph (C) of section 404(h)(1) is
11 amended by striking “15 percent” each place it ap-
12 pears and inserting “25 percent”.

13 (5) Paragraph (2) of section 404(h) is amended
14 by striking “stock bonus or profit-sharing trust” and
15 inserting “trust subject to subsection (a)(3)(A)”.

16 (6) Clause (i) of section 4972(c)(6)(B) is
17 amended by striking “(within the meaning of section
18 404(a))” and inserting “(within the meaning of sec-
19 tion 404(a) and as adjusted under section
20 404(a)(12))”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to years beginning after December
23 31, 1999.

1 **SEC. 112. OPTION TO TREAT ELECTIVE DEFERRALS AS**
2 **AFTER-TAX CONTRIBUTIONS.**

3 (a) IN GENERAL.—Subpart A of part I of subchapter
4 D of chapter 1 (relating to deferred compensation, etc.)
5 is amended by inserting after section 402 the following
6 new section:

7 **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFER-**
8 **RAIS AS PLUS CONTRIBUTIONS.**

9 “(a) GENERAL RULE.—If an applicable retirement
10 plan includes a qualified plus contribution program—

11 “(1) any designated plus contribution made by
12 an employee pursuant to the program shall be treat-
13 ed as an elective deferral for purposes of this chap-
14 ter, except that such contribution shall not be ex-
15 cludable from gross income, and

16 “(2) such plan (and any arrangement which is
17 part of such plan) shall not be treated as failing to
18 meet any requirement of this chapter solely by rea-
19 son of including such program.

20 “(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—
21 For purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified plus
23 contribution program’ means a program under which
24 an employee may elect to make designated plus con-
25 tributions in lieu of all or a portion of elective defer-

1 rals the employee is otherwise eligible to make under
 2 the applicable retirement plan.

3 “(2) SEPARATE ACCOUNTING REQUIRED.—A
 4 program shall not be treated as a qualified plus con-
 5 tribution program unless the applicable retirement
 6 plan—

7 “(A) establishes separate accounts (‘des-
 8 ignated plus accounts’) for the designated plus
 9 contributions of each employee and any earn-
 10 ings properly allocable to the contributions, and

11 “(B) maintains separate recordkeeping
 12 with respect to each account.

13 “(c) DEFINITIONS AND RULES RELATING TO DES-
 14 IGNATED PLUS CONTRIBUTIONS.—For purposes of this
 15 section—

16 “(1) DESIGNATED PLUS CONTRIBUTION.—The
 17 term ‘designated plus contribution’ means any elec-
 18 tive deferral which—

19 “(A) is excludable from gross income of an
 20 employee without regard to this section, and

21 “(B) the employee designates (at such time
 22 and in such manner as the Secretary may pre-
 23 scribe) as not being so excludable.

24 “(2) DESIGNATION LIMITS.—The amount of
 25 elective deferrals which an employee may designate

1 under paragraph (1) shall not exceed the excess (if
2 any) of—

3 “(A) the maximum amount of elective de-
4 ferrals excludable from gross income of the em-
5 ployee for the taxable year (without regard to
6 this section), over

7 “(B) the aggregate amount of elective de-
8 ferrals of the employee for the taxable year
9 which the employee does not designate under
10 paragraph (1).

11 “(3) ROLLOVER CONTRIBUTIONS.—

12 “(A) IN GENERAL.—A rollover contribu-
13 tion of any payment or distribution from a des-
14 ignated plus account which is otherwise allow-
15 able under this chapter may be made only if the
16 contribution is to—

17 “(i) another designated plus account
18 of the individual from whose account the
19 payment or distribution was made, or

20 “(ii) a Roth IRA of such individual.

21 “(B) COORDINATION WITH LIMIT.—Any
22 rollover contribution to a designated plus ac-
23 count under subparagraph (A) shall not be
24 taken into account for purposes of paragraph
25 (1).

1 “(d) DISTRIBUTION RULES.—For purposes of this
2 title—

3 “(1) EXCLUSION.—Any qualified distribution
4 from a designated plus account shall not be includ-
5 ible in gross income.

6 “(2) QUALIFIED DISTRIBUTION.—For purposes
7 of this subsection—

8 “(A) IN GENERAL.—The term ‘qualified
9 distribution’ has the meaning given such term
10 by section 408A(d)(2)(A).

11 “(B) DISTRIBUTIONS WITHIN NONEXCLU-
12 SION PERIOD.—A payment or distribution from
13 a designated plus account shall not be treated
14 as a qualified distribution if such payment or
15 distribution is made within the 5-taxable-year
16 period beginning with the earlier of—

17 “(i) the earlier of—

18 “(I) the 1st taxable year for
19 which the individual made a des-
20 ignated plus contribution to any des-
21 ignated plus account established for
22 such individual under the same appli-
23 cable retirement plan, or

24 “(II) if a rollover contribution
25 was made to such designated plus ac-

1 count from a designated plus account
 2 previously established for such individ-
 3 ual under another applicable retire-
 4 ment plan, the 1st taxable year for
 5 which the individual made a des-
 6 ignated plus contribution to such pre-
 7 viously established account), or

8 “(ii) the 1st taxable year for which
 9 the individual (or the individual’s spouse)
 10 made a contribution to a Roth IRA estab-
 11 lished for such individual.

12 “(C) DISTRIBUTIONS OF EXCESS DEFER-
 13 RALS AND EARNINGS.—The term ‘qualified dis-
 14 tribution’ shall not include any distribution of
 15 any excess deferral under section 402(g)(2) and
 16 any income on the excess deferral.

17 “(3) AGGREGATION RULES.—Section 72 shall
 18 be applied separately with respect to distributions
 19 and payments from a designated plus account and
 20 other distributions and payments from the plan.

21 “(e) OTHER DEFINITIONS.—For purposes of this
 22 section—

23 “(1) APPLICABLE RETIREMENT PLAN.—The
 24 term ‘applicable retirement plan’ means—

1 “(A) an employees’ trust described in sec-
 2 tion 401(a) which is exempt from tax under
 3 section 501(a), and

4 “(B) a plan under which amounts are con-
 5 tributed by an individual’s employer for an an-
 6 nuity contract described in section 403(b).

7 “(2) ELECTIVE DEFERRAL.—The term ‘elective
 8 deferral’ means any elective deferral described in
 9 subparagraph (A) or (C) of section 402(g)(3).”

10 (b) EXCESS DEFERRALS.—Section 402(g) (relating
 11 to limitation on exclusion for elective deferrals) is
 12 amended—

13 (1) by adding at the end of paragraph (1) the
 14 following new sentence: “The preceding sentence
 15 shall not apply to so much of such excess as does
 16 not exceed the designated plus contributions of the
 17 individual for the taxable year.”, and

18 (2) by inserting “(or would be included but for
 19 the last sentence thereof)” after “paragraph (1)” in
 20 paragraph (2)(A).

21 (c) ROLLOVERS.—Subparagraph (B) of section
 22 402(c)(7) (as amended by sections 301 and 302) is
 23 amended by adding at the end the following:

24 “Without regard to the foregoing provisions of
 25 this paragraph, if any portion of an eligible roll-

1 over distribution is attributable to payments or
 2 distributions from a designated plus account (as
 3 defined in section 402A), an eligible retirement
 4 plan with respect to such portion shall include
 5 only another designated plus account and a
 6 Roth IRA.”

7 (d) REPORTING REQUIREMENTS.—

8 (1) W-2 INFORMATION.—Section 6051(a)(8) is
 9 amended by inserting “, including the amount of
 10 designated plus contributions (as defined in section
 11 402A)” before the comma at the end.

12 (2) INFORMATION.—Section 6047 is amended
 13 by redesignating subsection (f) as subsection (g) and
 14 by inserting after subsection (e) the following new
 15 subsection:

16 “(f) DESIGNATED PLUS CONTRIBUTIONS.—The Sec-
 17 retary shall require the plan administrator of each applica-
 18 ble retirement plan (as defined in section 402A) to make
 19 such returns and reports regarding designated plus con-
 20 tributions (as so defined) to the Secretary, participants
 21 and beneficiaries of the plan, and such other persons as
 22 the Secretary may prescribe.”

23 (e) CONFORMING AMENDMENTS.—

24 (1) Section 408A(e) is amended by adding after
 25 the first sentence the following new sentence: “Such

1 term includes a rollover contribution described in
 2 section 402A(c)(3)(A).”

3 (2) The table of sections for subpart A of part
 4 I of subchapter D of chapter 1 is amended by insert-
 5 ing after the item relating to section 402 the follow-
 6 ing new item:

“Sec. 402A. Optional treatment of elective deferrals as plus contributions.”

7 (f) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to taxable years beginning after
 9 December 31, 2000.

10 **SEC. 113. CREDIT FOR PENSION PLAN STARTUP COSTS OF**
 11 **SMALL EMPLOYERS.**

12 (a) IN GENERAL.—Subpart D of part IV of sub-
 13 chapter A of chapter 1 (relating to business related cred-
 14 its) is amended by adding at the end the following new
 15 section:

16 **“SEC. 45D. SMALL EMPLOYER PENSION PLAN STARTUP**
 17 **COSTS.**

18 “(a) GENERAL RULE.—For purposes of section 38,
 19 in the case of an eligible employer, the small employer pen-
 20 sion plan startup cost credit determined under this section
 21 for any taxable year is an amount equal to 50 percent
 22 of the qualified startup costs paid or incurred by the tax-
 23 payer during the taxable year.

1 “(b) DOLLAR LIMITATION.—The amount of the cred-
2 it determined under this section for any taxable year shall
3 not exceed—

4 “(1) \$1,000 for the first credit year,

5 “(2) \$500 for each of the 2 taxable years imme-
6 diately following the first credit year, and

7 “(3) zero for any other taxable year.

8 “(c) ELIGIBLE EMPLOYER.—For purposes of this
9 section—

10 “(1) IN GENERAL.—The term ‘eligible em-
11 ployer’ has the meaning given such term by section
12 408(p)(2)(C)(i).

13 “(2) EMPLOYERS MAINTAINING QUALIFIED
14 PLANS DURING 1998 NOT ELIGIBLE.—Such term
15 shall not include an employer if such employer (or
16 any predecessor employer) maintained a qualified
17 plan (as defined in section 408(p)(2)(D)(ii)) with re-
18 spect to which contributions were made, or benefits
19 were accrued, for service in 1998. If only individuals
20 other than employees described in subparagraph (A)
21 of section 410(b)(3) are eligible to participate in the
22 qualified employer plan referred to in subsection
23 (d)(1), then the preceding sentence shall be applied
24 without regard to any qualified plan in which only
25 employees so described are eligible to participate.

1 “(d) OTHER DEFINITIONS.—For purposes of this
2 section—

3 “(1) QUALIFIED STARTUP COSTS.—

4 “(A) IN GENERAL.—The term ‘qualified
5 startup costs’ means any ordinary and nec-
6 essary expenses of an eligible employer which
7 are paid or incurred in connection with—

8 “(i) the establishment or administra-
9 tion of an eligible employer plan, or

10 “(ii) the retirement-related education
11 of employees with respect to such plan.

12 “(B) PLAN MUST HAVE AT LEAST 2 PAR-
13 TICIPANTS.—Such term shall not include any
14 expense in connection with a plan that does not
15 have at least 2 individuals who are eligible to
16 participate.

17 “(C) PLAN MUST BE ESTABLISHED BE-
18 FORE JANUARY 1, 2002.—Such term shall not
19 include any expense in connection with a plan
20 established after December 31, 2001.

21 “(2) ELIGIBLE EMPLOYER PLAN.—The term
22 ‘eligible employer plan’ means a qualified employer
23 plan within the meaning of section 4972(d).

24 “(3) FIRST CREDIT YEAR.—The term ‘first
25 credit year’ means—

1 “(A) the taxable year which includes the
 2 date that the eligible employer plan to which
 3 such costs relate becomes effective, or

4 “(B) at the election of the eligible em-
 5 ployer, the taxable year preceding the taxable
 6 year referred to in subparagraph (A).

7 “(e) SPECIAL RULES.—For purposes of this
 8 section—

9 “(1) AGGREGATION RULES.—All persons treat-
 10 ed as a single employer under subsection (a) or (b)
 11 of section 52, or subsection (n) or (o) of section 414,
 12 shall be treated as one person. All eligible employer
 13 plans shall be treated as 1 eligible employer plan.

14 “(2) DISALLOWANCE OF DEDUCTION.—No de-
 15 duction shall be allowed for that portion of the quali-
 16 fied startup costs paid or incurred for the taxable
 17 year which is equal to the credit determined under
 18 subsection (a).

19 “(3) ELECTION NOT TO CLAIM CREDIT.—This
 20 section shall not apply to a taxpayer for any taxable
 21 year if such taxpayer elects to have this section not
 22 apply for such taxable year.”

23 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
 24 NESS CREDIT.—Section 38(b) (defining current year busi-
 25 ness credit) is amended by striking “plus” at the end of

1 paragraph (11), by striking the period at the end of para-
 2 graph (12) and inserting “, plus”, and by adding at the
 3 end the following new paragraph:

4 “(13) in the case of an eligible employer (as de-
 5 fined in section 45D(c)), the small employer pension
 6 plan startup cost credit determined under section
 7 45D(a).”

8 (c) CONFORMING AMENDMENTS.—

9 (1) Section 39(d) is amended by adding at the
 10 end the following new paragraph:

11 “(8) NO CARRYBACK OF SMALL EMPLOYER
 12 PENSION PLAN STARTUP COST CREDIT BEFORE EF-
 13 FECTIVE DATE.—No portion of the unused business
 14 credit for any taxable year which is attributable to
 15 the small employer pension plan startup cost credit
 16 determined under section 45D may be carried back
 17 to a taxable year ending on or before the date of the
 18 enactment of section 45D.”

19 (2) Subsection (c) of section 196 is amended by
 20 striking “and” at the end of paragraph (7), by strik-
 21 ing the period at the end of paragraph (8) and in-
 22 serting “, and”, and by adding at the end the follow-
 23 ing new paragraph:

24 “(9) the small employer pension plan startup
 25 cost credit determined under section 45D(a).”

1 (3) The table of sections for subpart D of part
 2 IV of subchapter A of chapter 1 is amended by add-
 3 ing at the end the following new item:

 “Sec. 45D. Small employer pension plan startup costs.”

4 (d) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to costs paid or incurred in taxable
 6 years ending after the date of the enactment of this Act.

7 **TITLE II—ENHANCING FAIRNESS**
 8 **FOR WOMEN AND CHILDREN**

9 **SEC. 201. ADDITIONAL SALARY REDUCTION CATCH-UP CON-**
 10 **TRIBUTIONS.**

11 (a) LIMITATION ON EXCLUSION FOR ELECTIVE DE-
 12 FERRALS.—

13 (1) IN GENERAL.—Subsection (g) of section
 14 402 (as amended by section 101(d)) is further
 15 amended by adding at the end the following:

16 “(9) CATCH-UP CONTRIBUTIONS FOR THOSE
 17 APPROACHING RETIREMENT.—In the case of an indi-
 18 vidual who has attained age 50 during any taxable
 19 year, the limitation of paragraph (1) for such year,
 20 after the application of paragraph (8), shall be in-
 21 creased by \$5,000.”.

22 (2) COST-OF-LIVING ADJUSTMENT.—Paragraph
 23 (4) of section 402(g) (relating to cost-of-living ad-
 24 justment), as amended by section 101(d), is further

1 amended by inserting “and the \$5,000 amount
2 under paragraph (9)” after “paragraph (1)”.

3 (b) SIMPLE RETIREMENT ACCOUNTS.—

4 (1) IN GENERAL.—Paragraph (2) of section
5 408(p) (relating to qualified salary reduction ar-
6 rangement) (as amended by sections 101(f) and
7 103(a)) is further amended by redesignating sub-
8 paragraph (F) as subparagraph (G) and by inserting
9 after subparagraph (E) the following new subpara-
10 graph:

11 “(F) CATCH-UP CONTRIBUTIONS FOR
12 THOSE APPROACHING RETIREMENT.—In the
13 case of an individual who has attained age 50
14 during any taxable year, the limitation of sub-
15 paragraph (A)(ii) for such year shall be in-
16 creased by \$5,000.”.

17 (2) COST-OF-LIVING ADJUSTMENT.—Subpara-
18 graph (G) of section 408(p)(2) (as so redesignated)
19 is amended by inserting “and the \$5,000 amount
20 under subparagraph (F)” after “subparagraph
21 (A)(ii)”.

22 (c) DEFERRED COMPENSATION PLANS OF STATE
23 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
24 ZATIONS.—

1 (1) IN GENERAL.—Subsection (b) of section
 2 457 (relating to definition of eligible deferred com-
 3 pensation plan) is amended by adding at the end the
 4 following new paragraph:

5 “(7) CATCH-UP CONTRIBUTIONS FOR THOSE
 6 APPROACHING RETIREMENT.—In the case of an indi-
 7 vidual who has attained age 50 during any taxable
 8 year, the limitation of paragraph (2)(A) for such
 9 year shall be increased by \$5,000.”.

10 (2) COST-OF-LIVING ADJUSTMENT.—Paragraph
 11 (15) of section 457(e) (relating to cost-of-living ad-
 12 justment) is amended by inserting “, and the \$5,000
 13 amount specified in subsection (b)(7),” after
 14 “(c)(1)”.

15 (d) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to years beginning after December
 17 31, 1999.

18 **SEC. 202. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**
 19 **EMPLOYEES TO DEFINED CONTRIBUTION**
 20 **PLANS.**

21 (a) IN GENERAL.—

22 (1) Subparagraph (B) of section 415(c)(1) (re-
 23 lating to limitation for defined contribution plans) is
 24 amended to read as follows:

25 “(B) the participant’s compensation.”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) Subsection (f) of section 72 is amend-
3 ed by striking “section 403(b)(2)(D)(iii))” and
4 inserting “section 403(b)(2)(D)(iii), as in effect
5 on December 31, 1998)”.

6 (B) Section 403(b) is amended—

7 (i) by striking “the exclusion allow-
8 ance for such taxable year” in paragraph
9 (1) and inserting “the applicable limit
10 under section 415”,

11 (ii) by striking paragraph (2), and

12 (iii) by inserting “or any amount re-
13 ceived by a former employee after the 5th
14 taxable year following the taxable year in
15 which such employee was terminated” be-
16 fore the period at the end of the second
17 sentence of paragraph (3).

18 (C) Section 404(a)(10)(B) is amended by
19 striking “, the exclusion allowance under sec-
20 tion 403(b)(2),”.

21 (D) Section 415(a)(2) is amended by strik-
22 ing “, and the amount of the contribution for
23 such portion shall reduce the exclusion allow-
24 ance as provided in section 403(b)(2)”.

1 (E) Section 415(c)(3) is amended by add-
2 ing at the end the following new subparagraph:

3 “(E) ANNUITY CONTRACTS.—In the case
4 of an annuity contract described in section
5 403(b), the term ‘participant’s compensation’
6 means the participant’s includible compensation
7 determined under section 403(b)(3).”.

8 (F) Section 415(c) is amended by striking
9 paragraph (4).

10 (G) Section 415(c)(7) is amended to read
11 as follows:

12 “(7) CERTAIN CONTRIBUTIONS BY CHURCH
13 PLANS NOT TREATED AS EXCEEDING LIMIT.—

14 “(A) IN GENERAL.—Notwithstanding any
15 other provision of this subsection, at the elec-
16 tion of a participant who is an employee of a
17 church, a convention or association of churches,
18 including an organization described in section
19 414(e)(3)(B)(ii), contributions and other addi-
20 tions for an annuity contract or retirement in-
21 come account described in section 403(b) with
22 respect to such participant, when expressed as
23 an annual addition to such participant’s ac-
24 count, shall be treated as not exceeding the lim-

1 itation of paragraph (1) if such annual addition
2 is not in excess of \$10,000.

3 “(B) \$40,000 AGGREGATE LIMITATION.—
4 The total amount of additions with respect to
5 any participant which may be taken into ac-
6 count for purposes of this subparagraph for all
7 years may not exceed \$40,000.

8 “(C) ANNUAL ADDITION.—For purposes of
9 this paragraph, the term ‘annual addition’ has
10 the meaning given such term by paragraph
11 (2).”.

12 (H) Section 415(e)(5) is amended—

13 (i) by striking “(except in the case of
14 a participant who has elected under sub-
15 section (c)(4)(D) to have the provisions of
16 subsection (c)(4)(C) apply)”, and

17 (ii) by striking the last sentence.

18 (I) Section 415(n)(2)(B) is amended by
19 striking “percentage”.

20 (J) Subparagraph (B) of section 402(g)(7)
21 (as amended by section 101(d)) is amended by
22 inserting before the period at the end the fol-
23 lowing: “(as in effect on the date of the enact-
24 ment of the Retirement Security for the 21st
25 Century Act)”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to years beginning
3 after December 31, 1999.

4 (b) SPECIAL RULES FOR SECTIONS 403(b) AND
5 408.—

6 (1) IN GENERAL.—Subsection (k) of section
7 415 is amended by adding at the end the following
8 new paragraph:

9 “(4) SPECIAL RULES FOR SECTIONS 403(b) AND
10 408.—For purposes of this section, any annuity con-
11 tract described in section 403(b) for the benefit of
12 a participant shall be treated as a defined contribu-
13 tion plan maintained by each employer with respect
14 to which the participant has the control required
15 under subsection (b) or (c) of section 414 (as modi-
16 fied by subsection (h)). For purposes of this section,
17 any contribution by an employer to a simplified em-
18 ployee pension plan for an individual for a taxable
19 year shall be treated as an employer contribution to
20 a defined contribution plan for such individual for
21 such year.”.

22 (2) EFFECTIVE DATE.—The amendment made
23 by paragraph (1) shall apply to limitation years be-
24 ginning after December 31, 1999.

1 (c) DEFERRED COMPENSATION PLANS OF STATE
 2 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-
 3 ZATIONS.—Subparagraph (B) of section 457(b)(2) (relat-
 4 ing to salary limitation on eligible deferred compensation
 5 plans) is amended by striking “33 $\frac{1}{3}$ percent” and insert-
 6 ing “100 percent”.

7 (d) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to years beginning after December
 9 31, 1999.

10 **SEC. 203. FASTER VESTING OF CERTAIN EMPLOYER**
 11 **MATCHING CONTRIBUTIONS.**

12 (a) AMENDMENTS TO 1986 CODE.—Section 411(a)
 13 (relating to minimum vesting standards) is amended—

14 (1) in paragraph (2), by striking “A plan” and
 15 inserting “Except as provided in paragraph (12), a
 16 plan”, and

17 (2) by adding at the end the following:

18 “(12) FASTER VESTING FOR MATCHING CON-
 19 TRIBUTIONS.—In the case of matching contributions
 20 (as defined in section 401(m)(4)(A)), paragraph (2)
 21 shall be applied—

22 “(A) by substituting ‘3 years’ for ‘5 years’
 23 in subparagraph (A), and

24 “(B) by substituting the following table for
 25 the table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.”.

1 (b) AMENDMENTS TO ERISA.—Section 203(a) of the
2 Employee Retirement Income Security Act of 1974 (29
3 U.S.C. 1053(a)) is amended—

4 (1) in paragraph (2), by striking “A plan” and
5 inserting “Except as provided in paragraph (4), a
6 plan”, and

7 (2) by adding at the end the following:

8 “(4) In the case of matching contributions (as
9 defined in section 401(m)(4)(A) of the Internal Rev-
10 enue Code of 1986), paragraph (2) shall be
11 applied—

12 “(A) by substituting ‘3 years’ for ‘5 years’
13 in subparagraph (A), and

14 “(B) by substituting the following table for
15 the table contained in subparagraph (B):

“Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.”.

16 (c) EFFECTIVE DATES.—

17 (1) IN GENERAL.—Except as provided in para-
18 graph (2), the amendments made by this section

1 shall apply to contributions for plan years beginning
2 after December 31, 1999.

3 (2) COLLECTIVE BARGAINING AGREEMENTS.—

4 In the case of a plan maintained pursuant to 1 or
5 more collective bargaining agreements between em-
6 ployee representatives and 1 or more employers rati-
7 fied by the date of enactment of this Act, the
8 amendments made by this section shall not apply to
9 contributions on behalf of employees covered by any
10 such agreement for plan years beginning before the
11 earlier of—

12 (A) the later of—

13 (i) the date on which the last of such
14 collective bargaining agreements termi-
15 nates (determined without regard to any
16 extension thereof on or after such date of
17 enactment), or

18 (ii) January 1, 2000, or

19 (B) January 1, 2004.

20 (3) SERVICE REQUIRED.—With respect to any
21 plan, the amendments made by this section shall not
22 apply to any employee before the date that such em-
23 ployee has 1 hour of service under such plan in any
24 plan year to which the amendments made by this
25 section apply.

1 **SEC. 204. DEFERRED ANNUITIES FOR SURVIVING SPOUSES**
2 **OF FEDERAL EMPLOYEES.**

3 (a) IN GENERAL.—Section 8341 of title 5, United
4 States Code, is amended—

5 (1) in subsection (h)(1), by striking “section
6 8338(b) of this title” and inserting “section
7 8338(b), and a former spouse of a deceased former
8 employee who separated from the service with title
9 to a deferred annuity under section 8338 (if they
10 were married to one another prior to the date of sep-
11 aration),”; and

12 (2) by adding at the end the following:

13 “(j)(1) If a former employee dies after having sepa-
14 rated from the service with title to a deferred annuity
15 under section 8338 but before having established a valid
16 claim for annuity, and is survived by a spouse to whom
17 married on the date of separation, the surviving spouse
18 may elect to receive—

19 “(A) an annuity, commencing on what would
20 have been the former employee’s 62d birthday, equal
21 to 55 percent of the former employee’s deferred an-
22 nuity;

23 “(B) an annuity, commencing on the day after
24 the date of death of the former employee, such that,
25 to the extent practicable, the present value of the fu-
26 ture payments of the annuity would be actuarially

1 equivalent to the present value of the future pay-
2 ments under subparagraph (A) as of the day after
3 the former employee's death; or

4 “(C) the lump-sum credit, if the surviving
5 spouse is the individual who would be entitled to the
6 lump-sum credit and if such surviving spouse files
7 application therefor.

8 “(2) An annuity under this subsection and the right
9 thereto terminate on the last day of the month before the
10 surviving spouse remarries before becoming 55 years of
11 age, or dies.”.

12 (b) CORRESPONDING AMENDMENT FOR FERS.—
13 Section 8445(a) of title 5, United States Code, is
14 amended—

15 (1) by striking “(or of a former employee or”
16 and inserting “(or of a former”; and

17 (2) by striking “annuity)” and inserting “annu-
18 ity, or of a former employee who dies after having
19 separated from the service with title to a deferred
20 annuity under section 8413 but before having estab-
21 lished a valid claim for annuity (if such former
22 spouse was married to such former employee prior
23 to the date of separation))”.

24 (c) EFFECTIVE DATE.—The amendments made by
25 this section shall apply with respect to surviving spouses

1 and former spouses (whose marriage, in the case of the
2 amendments made by subsection (a), terminated after
3 May 6, 1985) of former employees who die after the date
4 of the enactment of this Act.

5 **SEC. 205. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.**
6

7 (a) SIMPLIFICATION AND FINALIZATION OF MINIMUM DISTRIBUTION REQUIREMENTS.—
8

9 (1) IN GENERAL.—The Secretary of the Treasury shall—
10

11 (A) simplify and finalize the regulations relating to minimum distribution requirements
12 under sections 401(a)(9), 408(a)(6) and (b)(3),
13 403(b)(10), and 457(d)(2) of the Internal Revenue Code of 1986, and
14
15

16 (B) modify such regulations to—

17 (i) reflect increases in life expectancy,
18 and

19 (ii) revise the required distribution methods so that, under reasonable assumptions,
20 the amount of the required minimum distribution does not decrease over a participant's life expectancy.
21
22
23

24 (2) FRESH START.—Notwithstanding subparagraph (D) of section 401(a)(9) of such Code, during
25

1 the first year that regulations are in effect under
2 this subsection, required distributions for future
3 years may be redetermined to reflect changes under
4 such regulations. Such redetermination shall include
5 the opportunity to choose a new designated bene-
6 ficiary and to elect a new method of calculating life
7 expectancy.

8 (3) EFFECTIVE DATE FOR REGULATIONS.—

9 Regulations referred to in paragraph (1) shall be ef-
10 fective for years beginning after December 31, 2000,
11 and shall apply in such years without regard to
12 whether an individual had previously begun receiving
13 minimum distributions.

14 (b) AMOUNT NOT SUBJECT TO MINIMUM DISTRIBUTION
15 REQUIREMENTS.—Paragraph (9) of section 401(a)
16 is amended—

17 (1) in subparagraph (A), by inserting “(minus
18 the exclusion amount)” after “the entire interest”;
19 and

20 (2) by adding at the end the following:

21 “(H) EXCLUSION AMOUNT.—

22 “(i) IN GENERAL.—For purposes of
23 this paragraph, the term ‘exclusion
24 amount’ means—

1 “(I) \$100,000 in the case of a
2 defined contribution plan;

3 “(II) \$100,000 in the case of an
4 individual retirement plan; and

5 “(III) \$0 in the case of a defined
6 benefit plan.

7 “(ii) AGGREGATION OF PLANS.—For
8 purposes of determining the exclusion
9 amount under clause (i)—

10 “(I) all defined contribution
11 plans maintained by the same em-
12 ployer shall be treated as a single
13 plan; and

14 “(II) all individual retirement
15 plans (other than Roth IRAs) of the
16 individual shall be treated as a single
17 plan.

18 “(iii) COST-OF-LIVING ADJUST-
19 MENT.—The Secretary shall adjust the
20 \$100,000 exclusion amount specified in
21 clause (i) at the same time and in the
22 same manner as under section 415(d), ex-
23 cept that the base period shall be the cal-
24 endar quarter ending September 30,
25 1999.”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to years beginning
3 after December 31, 2000.

4 (c) REPEAL OF RULE WHERE DISTRIBUTIONS HAD
5 BEGUN BEFORE DEATH OCCURS.—

6 (1) IN GENERAL.—Subparagraph (B) of section
7 401(a)(9) is amended by striking clause (i) and re-
8 designating clauses (ii), (iii), and (iv) as clauses (i),
9 (ii), and (iii), respectively.

10 (2) CONFORMING CHANGES.—

11 (A) Clause (i) of section 401(a)(9)(B) (as
12 so redesignated) is amended—

13 (i) by striking “FOR OTHER CASES” in
14 the heading, and

15 (ii) by striking “the distribution of the
16 employee’s interest has begun in accord-
17 ance with subparagraph (A)(ii)” and in-
18 serting “his entire interest has been dis-
19 tributed to him,”.

20 (B) Clause (ii) of section 401(a)(9)(B) (as
21 so redesignated) is amended by striking “clause
22 (ii)” and inserting “clause (i)”.

23 (C) Clause (iii) of section 401(a)(9)(B)(iii)
24 (as so redesignated) is amended—

1 (i) by striking “clause (iii)(I)” and in-
 2 serting “clause (ii)(I)”,

3 (ii) in subclause (I) by striking
 4 “clause (iii)(III)” and inserting “clause
 5 (ii)(III)”,

6 (iii) in subclause (I) by striking “the
 7 date on which the employee would have at-
 8 tained the age 70½,” and inserting “April
 9 1 of the calendar year following the cal-
 10 endar year in which the spouse attains
 11 70½, and clause (ii) shall not apply to the
 12 exclusion amount,” and

13 (iv) in subclause (II) by striking “the
 14 distributions to such spouse begin,” and
 15 inserting “his entire interest has been dis-
 16 tributed to him,”.

17 (3) REDUCTION IN EXCISE TAX.—Subsection
 18 (a) of section 4974 is amended by striking “50 per-
 19 cent” and inserting “10 percent”.

20 (4) EFFECTIVE DATE.—

21 (A) IN GENERAL.—Except as provided by
 22 subparagraph (B), the amendments made by
 23 this subsection shall apply to years beginning
 24 after December 31, 2000.

1 (B) EXCISE TAX.—The amendment made
2 by paragraph (3) shall apply to years beginning
3 after December 31, 1999.

4 **SEC. 206. CLARIFICATION OF TAX TREATMENT OF DIVISION**
5 **OF SECTION 457 PLAN BENEFITS UPON DI-**
6 **VORCE.**

7 (a) IN GENERAL.—Section 414(p)(11) (relating to
8 application of rules to governmental and church plans) is
9 amended—

10 (1) by inserting “or an eligible deferred com-
11 pensation plan (within the meaning of section
12 457(b))” after “subsection (e))”, and

13 (2) in the heading, by striking “GOVERN-
14 MENTAL AND CHURCH PLANS” and inserting “CER-
15 TAIN OTHER PLANS”.

16 (b) WAIVER OF CERTAIN DISTRIBUTION REQUIRE-
17 MENTS.—Paragraph (10) of section 414(p) is amended by
18 striking “and section 409(d)” and inserting “section
19 409(d), and section 457(d)”.

20 (c) TAX TREATMENT OF PAYMENTS FROM A SEC-
21 TION 457 PLAN.—Subsection (p) of section 414 is amend-
22 ed by redesignating paragraph (12) as paragraph (13) and
23 inserting after paragraph (11) the following new para-
24 graph:

1 “(12) TAX TREATMENT OF PAYMENTS FROM A
2 SECTION 457 PLAN.—If a distribution or payment
3 from an eligible deferred compensation plan de-
4 scribed in section 457(b) is made pursuant to a
5 qualified domestic relations order, rules similar to
6 the rules of section 402(e)(1)(A) shall apply to such
7 distribution or payment.”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to transfers, distributions, and
10 payments made after the date of enactment of this Act.

11 **SEC. 207. PERCENTAGE LIMITATIONS ON CONTRIBUTIONS.**

12 (a) AMENDMENTS RELATING TO FERS.—

13 (1) IN GENERAL.—

14 (A) Subsection (a) of section 8432 of title
15 5, United States Code, is amended by striking
16 “10 percent of”.

17 (B) Subsection (d) of section 8432 of title
18 5, United States Code, is amended by striking
19 “section 415” and inserting “section
20 401(a)(30) or 415”.

21 (2) JUSTICES AND JUDGES.—Subsection (b) of
22 section 8440a of title 5, United States Code, is
23 amended—

1 (A) by striking paragraph (2) and by re-
 2 designating paragraphs (3) through (7) as
 3 paragraphs (2) through (6), respectively; and

4 (B) in paragraph (6) (as so redesignated
 5 by subparagraph (A)) by striking “paragraphs
 6 (4) and (5)” and inserting “paragraphs (3) and
 7 (4)”.

8 (3) BANKRUPTCY JUDGES AND MAG-
 9 ISTRATES.—Subsection (b) of section 8440b of title
 10 5, United States Code, is amended—

11 (A) by striking paragraph (2) and by re-
 12 designating paragraphs (3) through (8) as
 13 paragraphs (2) through (7), respectively;

14 (B) in paragraph (4) (as so redesignated
 15 by subparagraph (A)) by striking “paragraph
 16 (4)(A), (B), or (C)” and inserting “paragraph
 17 (3)(A), (B), or (C)”;

18 (C) in paragraph (7) (as so redesignated
 19 by subparagraph (A)) by striking “Notwith-
 20 standing paragraph (4),” and inserting “Not-
 21 withstanding paragraph (3),”.

22 (4) COURT OF FEDERAL CLAIMS JUDGES.—
 23 Subsection (b) of section 8440c of title 5, United
 24 States Code, is amended—

1 (A) by striking paragraph (2) and by re-
2 designating paragraphs (3) through (8) as
3 paragraphs (2) through (7), respectively;

4 (B) in paragraph (4) (as so redesignated
5 by subparagraph (A)) by striking “paragraph
6 (4)(A) or (B)” and inserting “paragraph (3)(A)
7 or (B)”; and

8 (C) in paragraph (7) (as so redesignated
9 by subparagraph (A)) by striking “Notwith-
10 standing paragraph (4),” and inserting “Not-
11 withstanding paragraph (3),”.

12 (5) JUDGES OF THE UNITED STATES COURT OF
13 VETERANS APPEALS.—Paragraph (2) of section
14 8440d(b) of title 5, United States Code, is amended
15 to read as follows:

16 “(2) For purposes of contributions made to the Thrift
17 Savings Fund, basic pay does not include any retired pay
18 paid pursuant to section 7296 of title 38.”.

19 (b) AMENDMENTS RELATING TO CSRS.—Paragraph
20 (2) of section 8351(b) of title 5, United States Code, is
21 amended by striking “5 percent of”.

22 (c) EFFECTIVE DATE.—

23 (1) IN GENERAL.—The amendments made by
24 this section shall take effect on the date of enact-
25 ment of this Act.

1 (2) COORDINATION WITH ELECTION PERI-
 2 ODS.—The Executive Director shall by regulation
 3 determine the first election period in which elections
 4 may be made consistent with the amendments made
 5 by this section.

6 (3) DEFINITIONS.—For purposes of this
 7 section—

8 (A) the term “election period” means a pe-
 9 riod afforded under section 8432(b) of title 5,
 10 United States Code; and

11 (B) the term “Executive Director” has the
 12 meaning given such term by section 8401(13)
 13 of title 5, United States Code.

14 **SEC. 208. ELIGIBLE ROLLOVER DISTRIBUTIONS.**

15 Section 8432 of title 5, United States Code, is
 16 amended by adding at the end the following:

17 “(j)(1) For the purpose of this subsection—

18 “(A) the term ‘eligible rollover distribution’ has
 19 the meaning given such term by section 402(c)(3) of
 20 the Internal Revenue Code of 1986; and

21 “(B) the term ‘eligible retirement plan’ has the
 22 meaning given such term by section 402(c)(7) of the
 23 Internal Revenue Code of 1986.

24 “(2) An employee or Member may contribute to the
 25 Thrift Savings Fund an eligible rollover distribution from

1 an eligible retirement plan. A contribution made under
 2 this subsection shall be made by means of a direct rollover
 3 from an eligible retirement plan in a manner that is simi-
 4 lar to a direct rollover under section 401(a)(31) of the In-
 5 ternal Revenue Code of 1986. In the case of an eligible
 6 rollover distribution, the maximum amount transferred to
 7 the Thrift Savings Fund shall not exceed the amount
 8 which would otherwise have been included in the employ-
 9 ee's or Member's gross income for Federal income tax pur-
 10 poses.

11 “(3) The Executive Director shall prescribe regula-
 12 tions to carry out this subsection.”.

13 **SEC. 209. IMMEDIATE PARTICIPATION IN THE THRIFT SAV-**
 14 **INGS PLAN.**

15 (a) ELIMINATION OF CERTAIN WAITING PERIODS
 16 FOR PURPOSES OF EMPLOYEE CONTRIBUTIONS.—Para-
 17 graph (4) of section 8432(b) of title 5, United States
 18 Code, is amended to read as follows:

19 “(4) The Executive Director shall prescribe such reg-
 20 ulations as may be necessary to carry out the following:

21 “(A) Notwithstanding subparagraph (A) of
 22 paragraph (2), an employee or Member described in
 23 such subparagraph shall be afforded a reasonable
 24 opportunity to first make an election under this sub-
 25 section beginning on the date of commencing service

1 or, if that is not administratively feasible, beginning
2 on the earliest date thereafter that such an election
3 becomes administratively feasible, as determined by
4 the Executive Director.

5 “(B) An employee or Member described in sub-
6 paragraph (B) of paragraph (2) shall be afforded a
7 reasonable opportunity to first make an election
8 under this subsection (based on the appointment or
9 election described in such subparagraph) beginning
10 on the date of commencing service pursuant to such
11 appointment or election or, if that is not administra-
12 tively feasible, beginning on the earliest date there-
13 after that such an election becomes administratively
14 feasible, as determined by the Executive Director.

15 “(C) Notwithstanding the preceding provisions
16 of this paragraph, contributions under paragraphs
17 (1) and (2) of subsection (c) shall not be payable
18 with respect to any pay period before the earliest
19 pay period for which such contributions would other-
20 wise be allowable under this subsection if this para-
21 graph had not been enacted.

22 “(D) Sections 8351(a)(2), 8440a(a)(2),
23 8440b(a)(2), 8440c(a)(2), and 8440d(a)(2) shall be
24 applied in a manner consistent with the purposes of

1 subparagraphs (A) and (B), to the extent those sub-
2 paragraphs can be applied with respect thereto.

3 “(E) Nothing in this paragraph shall affect
4 paragraph (3).”.

5 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

6 (1) Section 8432(a) of title 5, United States Code, is
7 amended—

8 (A) in the first sentence by striking “(b)(1)”
9 and inserting “(b)”; and

10 (B) by amending the second sentence to read as
11 follows: “Contributions under this subsection pursu-
12 ant to such an election shall, with respect to each
13 pay period for which such election remains in effect,
14 be made in accordance with a program of regular
15 contributions provided in regulations prescribed by
16 the Executive Director.”.

17 (2) Section 8432(b)(1)(B) of title 5, United States
18 Code, is amended by inserting “(or any election allowable
19 by virtue of paragraph (4))” after “subparagraph (A)”.

20 (3) Section 8432(b)(3) of title 5, United States Code,
21 is amended by striking “Notwithstanding paragraph
22 (2)(A), an” and inserting “An”.

23 (4) Section 8432(i)(1)(B)(ii) of title 5, United States
24 Code, is amended by striking “either elected to terminate

1 individual contributions to the Thrift Savings Fund within
 2 2 months before commencing military service or”.

3 (5) Section 8439(a)(1) of title 5, United States Code,
 4 is amended by inserting “who makes contributions or”
 5 after “for each individual” and by striking “section
 6 8432(c)(1)” and inserting “section 8432”.

7 (6) Section 8439(c)(2) of title 5, United States Code,
 8 is amended by adding at the end the following: “Nothing
 9 in this paragraph shall be considered to limit the dissemi-
 10 nation of information only to the times required under the
 11 preceding sentence.”.

12 (7) Sections 8440a(a)(2) and 8440d(a)(2) of title 5,
 13 United States Code, are amended by striking all after
 14 “subject to” and inserting “this chapter.”.

15 (c) EFFECTIVE DATE.—This section shall take effect
 16 6 months after the date of enactment of this Act or such
 17 earlier date as the Executive Director (within the meaning
 18 of section 8401(13) of title 5, United States Code) may
 19 by regulation prescribe.

20 **TITLE III—INCREASING PORT-** 21 **ABILITY FOR PARTICIPANTS**

22 **SEC. 301. ROLLOVERS ALLOWED AMONG VARIOUS TYPES** 23 **OF PLANS.**

24 (a) ROLLOVERS FROM AND TO SECTION 457
 25 PLANS.—

1 (1) ROLLOVERS FROM SECTION 457 PLANS.—

2 (A) IN GENERAL.—Section 457(e) (relat-
3 ing to other definitions and special rules) is
4 amended by adding at the end the following:

5 “(16) ROLLOVER AMOUNTS.—

6 “(A) GENERAL RULE.—In the case of an
7 eligible deferred compensation plan, if—

8 “(i) any portion of the balance to the
9 credit of an employee in such plan is paid
10 to such employee in an eligible rollover dis-
11 tribution (within the meaning of section
12 402(c)(4) (other than section
13 402(c)(4)(C)),

14 “(ii) the employee transfers any por-
15 tion of the property such employee receives
16 in such distribution to an eligible retire-
17 ment plan described in section
18 402(c)(8)(B), and

19 “(iii) in the case of a distribution of
20 property other than money, the amount so
21 transferred consists of the property distrib-
22 uted,

23 then such distribution (to the extent so trans-
24 ferred) shall not be includible in gross income
25 for the taxable year in which paid.

1 “(B) CERTAIN RULES MADE APPLICA-
 2 BLE.—The rules of paragraphs (2) through (7)
 3 (other than paragraph (4)(C)) and (9) of sec-
 4 tion 402(c) and section 402(f) shall apply for
 5 purposes of subparagraph (A).

6 “(C) REPORTING.—Rollovers under this
 7 paragraph shall be reported to the Secretary in
 8 the same manner as rollovers from qualified re-
 9 tirement plans (as defined in section
 10 4974(c)).”.

11 (B) DEFERRAL LIMIT DETERMINED WITH-
 12 OUT REGARD TO ROLLOVER AMOUNTS.—Section
 13 457(b)(2) (defining eligible deferred compensa-
 14 tion plan) is amended by inserting “(other than
 15 rollover amounts)” after “taxable year”.

16 (C) DIRECT ROLLOVER.—Paragraph (1) of
 17 section 457(d) is amended by striking “and” at
 18 the end of subparagraph (A), by striking the
 19 period at the end of subparagraph (B) and in-
 20 serting “, and”, and by inserting after subpara-
 21 graph (B) the following:

22 “(C) the plan meets requirements similar
 23 to the requirements of section 401(a)(31).

24 Any amount transferred in a direct trustee-to-trust-
 25 ee transfer in accordance with section 401(a)(31)

1 shall not be includible in gross income for the tax-
2 able year of transfer.”.

3 (D) WITHHOLDING.—

4 (i) Paragraph (12) of section 3401(a)
5 is amended by adding at the end the fol-
6 lowing:

7 “(E) under or to an eligible deferred com-
8 pensation plan which, at the time of such pay-
9 ment, is a plan described in section 457(b);”.

10 (ii) Paragraph (5) of section 3405(e)
11 is amended by adding at the end the fol-
12 lowing: “Such term shall include an eligible
13 deferred compensation plan described in
14 section 457(b).”.

15 (iii) Paragraph (3) of section 3405(c)
16 is amended to read as follows:

17 “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For
18 purposes of this subsection, the term ‘eligible roll-
19 over distribution’ has the meaning given such term
20 by section 402(f)(2)(A).”.

21 (iv) LIABILITY FOR WITHHOLDING.—

22 Subparagraph (B) of section 3405(d)(2) is
23 amended by striking “or” at the end of
24 clause (ii), by striking the period at the

1 end of clause (iii) and inserting “, or”, and
2 by adding at the end the following:

3 “(iv) section 457(b).”.

4 (2) ROLLOVERS TO SECTION 457 PLANS.—

5 (A) Section 402(c)(8)(B) (defining eligible
6 retirement plan) is amended by striking “and”
7 at the end of clause (iii), by striking the period
8 at the end of clause (iv) and inserting “, and”,
9 and by adding at the end the following:

10 “(v) an eligible deferred compensation
11 plan described in section 457(b) of an eli-
12 gible employer described in section
13 457(e)(1)(A).”.

14 (B) Paragraph (9) of section 402(c) is
15 amended by striking “except that” and all that
16 follows and inserting “except that only an ac-
17 count or annuity described in clause (i) or (ii)
18 of paragraph (8)(B) shall be treated as an eligi-
19 ble retirement plan with respect to such dis-
20 tribution.”.

21 (C) Subsection (t) of section 72 (relating
22 to 10-percent additional tax on early distribu-
23 tions from qualified retirement plans) is amend-
24 ed by adding at the end the following new para-
25 graph:

1 “(9) SPECIAL RULE FOR ROLLOVERS TO SEC-
2 TION 457 PLANS.—For purposes of this subsection,
3 a distribution from an eligible deferred compensation
4 plan (as defined in section 457(b)) of an employer
5 described in section 457(e)(1)(A) shall be treated as
6 a distribution from a qualified retirement plan to the
7 extent that such distribution is attributable to an
8 amount transferred to an eligible deferred compensa-
9 tion plan from a qualified retirement plan (as de-
10 fined in section 4974(c)). For purposes of this sub-
11 section, any such distribution shall be treated as if
12 made from a qualified retirement plan described in
13 section 4974(c)(1). This paragraph shall only apply
14 to a transfer that is in excess of \$50,000 and that
15 is permitted by reason of section 402(c)(8)(B)(v) or
16 section 408(d)(3)(A)(ii).”.

17 (D) Subsection (a) of section 457 (relating
18 to year of inclusion in gross income) is
19 amended—

20 (i) by striking “or otherwise made
21 available”, and

22 (ii) by adding at the end the follow-
23 ing: “To the extent provided in section
24 72(t)(9), section 72(t) shall apply to any

1 amount includible in gross income under
2 this subsection.”.

3 (3) MINIMUM DISTRIBUTIONS.—Paragraph (2)
4 of section 457(d) is amended to read as follows:

5 “(2) MINIMUM DISTRIBUTION REQUIRE-
6 MENTS.—A plan meets the distribution requirements
7 of this paragraph if the plan meets the requirements
8 of section 401(a)(9).”.

9 (4) CONFORMING AMENDMENT.—Paragraph (9)
10 of section 457(e) is amended to read as follows:

11 “(9) BENEFITS NOT TREATED AS FAILING TO
12 MEET DISTRIBUTION REQUIREMENTS OF SUB-
13 SECTION (d).—A plan shall not be treated as failing
14 to meet the distribution requirements of subsection
15 (d) by reason of a distribution of the total amount
16 payable to a participant under the plan if—

17 “(A) such amount does not exceed the dol-
18 lar limit under section 411(a)(11)(A), and

19 “(B) such amount may be distributed only
20 if—

21 “(i) no amount has been deferred
22 under the plan with respect to such partici-
23 pant during the 2-year period ending on
24 the date of the distribution, and

1 “(ii) there has been no prior distribu-
 2 tion under the plan to such participant to
 3 which this paragraph applied.”.

4 (b) ALLOWANCE OF ROLLOVERS FROM AND TO
 5 403(b) PLANS.—

6 (1) ROLLOVERS FROM SECTION 403(b)
 7 PLANS.—Section 403(b)(8)(A)(ii) (relating to roll-
 8 over amounts) is amended by striking “such dis-
 9 tribution” and all that follows and inserting “such
 10 distribution to an eligible retirement plan described
 11 in section 402(c)(8)(B), and”.

12 (2) ROLLOVERS TO SECTION 403(b) PLANS.—
 13 Section 402(c)(8)(B) (defining eligible retirement
 14 plan), as amended by subsection (a), is amended by
 15 striking “and” at the end of clause (iv), by striking
 16 the period at the end of clause (v) and inserting
 17 “, and”, and by adding at the end the following:

18 “(vi) an annuity contract described in
 19 section 403(b).”

20 (3) CONFORMING AMENDMENT.—Subparagraph
 21 (B) of section 403(b)(8) is amended by striking
 22 “Rules similar to the” and inserting “The”.

23 (c) EXPANDED EXPLANATION TO RECIPIENTS OF
 24 ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section
 25 402(f) (relating to written explanation to recipients of dis-

1 tributions eligible for rollover treatment) is amended by
 2 striking “and” at the end of subparagraph (C), by striking
 3 the period at the end of subparagraph (D) and inserting
 4 “, and”, and by adding at the end the following new sub-
 5 paragraph:

6 “(E) of the provisions under which dis-
 7 tributions from the eligible retirement plan re-
 8 ceiving the distribution may be subject to re-
 9 strictions and tax consequences which are dif-
 10 ferent from those applicable to distributions
 11 from the plan making such distribution.”.

12 (d) CONFORMING AMENDMENTS.—

13 (1) Section 72(o)(4) is amended by striking
 14 “and 408(d)(3)” and inserting “403(b)(8),
 15 408(d)(3), and 457(e)(16)”.

16 (2) Section 219(d)(2) is amended by striking
 17 “or 408(d)(3)” and inserting “408(d)(3), or
 18 457(e)(16)”.

19 (3) Section 401(a)(31)(B) is amended by strik-
 20 ing “and 403(a)(4)” and inserting “, 403(a)(4),
 21 403(b)(8), and 457(e)(16)”.

22 (4) Subparagraph (A) of section 402(f)(2) is
 23 amended by striking “or paragraph (4) of section
 24 403(a)” and inserting “, paragraph (4) of section

1 403(a), subparagraph (A) of section 403(b)(8), or
2 subparagraph (A) of section 457(e)(16)”.
3

4 (5) Paragraph (1) of section 402(f) is amended
5 by striking “from an eligible retirement plan”.

6 (6) Subparagraphs (A) and (B) of section
7 402(f)(1) are amended by striking “another eligible
8 retirement plan” and inserting “an eligible retire-
9 ment plan”.

10 (7) Subparagraph (B) of section 403(b)(8) is
11 amended by striking “shall apply for purposes of
12 subparagraph (A)” and inserting “and section
13 402(f) shall apply for purposes of subparagraph (A),
14 except that section 402(f) shall be applied to the
15 payor in lieu of the plan administrator”.

16 (8) Subparagraph (B) of section 403(b)(8) is
17 amended by inserting “and (9)” after “through
18 (7)”.

19 (9) Section 408(a)(1) is amended by striking
20 “or 403(b)(8)” and inserting “, 403(b)(8), or
21 457(e)(16)”.

22 (10) Subparagraphs (A) and (B) of section
23 415(b)(2) are each amended by striking “and
24 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and
25 457(e)(16)”.

1 (11) Section 415(c)(2) is amended by striking
2 “and 408(d)(3)” and inserting “408(d)(3), and
3 457(e)(16)”.

4 (12) Section 4973(b)(1)(A) is amended by
5 striking “or 408(d)(3)” and inserting “408(d)(3), or
6 457(e)(16)”.

7 (e) EFFECTIVE DATE; SPECIAL RULE.—

8 (1) EFFECTIVE DATE.—The amendments made
9 by this section shall apply to distributions after De-
10 cember 31, 1999.

11 (2) SPECIAL RULE.—Notwithstanding any other
12 provision of law, subsections (h)(3) and (h)(5) of
13 section 1122 of the Tax Reform Act of 1986 shall
14 not apply to any distribution from an eligible retire-
15 ment plan (as defined in clause (iii) or (iv) of section
16 402(c)(8)(B) of the Internal Revenue Code of 1986)
17 on behalf of an individual if there was a rollover to
18 such plan on behalf of such individual which is per-
19 mitted solely by reason of any amendment made by
20 this section.

21 **SEC. 302. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-**
22 **MENT PLANS.**

23 (a) IN GENERAL.—Subparagraph (A) of section
24 408(d)(3) (relating to rollover amounts) is amended by

1 adding “or” at the end of clause (i), by striking clauses
 2 (ii) and (iii), and by adding at the end the following:

3 “(ii) the entire amount received (in-
 4 cluding money and any other property) is
 5 paid into an eligible retirement plan for
 6 the benefit of such individual not later
 7 than the 60th day after the date on which
 8 he receives the payment or distribution.

9 For purposes of clause (ii), the term ‘eligible re-
 10 tirement plan’ has the meaning given such term
 11 by clauses (iii), (iv), (v), and (vi) of section
 12 402(c)(8)(B).”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Paragraph (1) of section 403(b) is amended
 15 by striking “section 408(d)(3)(A)(iii)” and inserting
 16 “section 408(d)(3)(A)(ii)”.

17 (2) Clause (i) of section 408(d)(3)(D) is amend-
 18 ed by striking “(i), (ii), or (iii)” and inserting “(i)
 19 or (ii)”.

20 (3) Subparagraph (G) of section 408(d)(3) is
 21 amended to read as follows:

22 “(G) SIMPLE RETIREMENT ACCOUNTS.—In
 23 the case of any payment or distribution out of
 24 a simple retirement account (as defined in sub-
 25 section (p)) to which section 72(t)(6) applies,

1 this paragraph shall not apply unless such pay-
2 ment or distribution is paid into another simple
3 retirement account.”.

4 (c) EFFECTIVE DATE; SPECIAL RULE.—

5 (1) EFFECTIVE DATE.—The amendments made
6 by this section shall apply to distributions after De-
7 cember 31, 1999.

8 (2) SPECIAL RULE.—Notwithstanding any other
9 provision of law, subsections (h)(3) and (h)(5) of
10 section 1122 of the Tax Reform Act of 1986 shall
11 not apply to any distribution from an eligible retire-
12 ment plan (as defined in clause (iii) or (iv) of section
13 402(c)(8)(B) of the Internal Revenue Code of 1986)
14 on behalf of an individual if there was a rollover to
15 such plan on behalf of such individual which is per-
16 mitted solely by reason of the amendments made by
17 this section.

18 **SEC. 303. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

19 (a) IN GENERAL.—

20 (1) Subsection (c) of section 402 (relating to
21 rules applicable to rollovers from exempt trusts) (as
22 amended by section 2) is amended by striking para-
23 graph (2) and redesignating paragraphs (3) through
24 (10) as paragraphs (2) through (9), respectively.

1 (2) Paragraph (31) of section 401(a) (relating
2 to optional direct transfer of eligible rollover dis-
3 tributions) is amended by striking subparagraph (B)
4 and redesignating subparagraphs (C) and (D) as
5 subparagraphs (B) and (C), respectively.

6 (3) Subparagraph (B) of section 408(d)(3) (re-
7 lating to rollover contributions) is amended by strik-
8 ing “which was not includible in his gross income
9 because of the application of this paragraph” and in-
10 serting “to which this paragraph applied”.

11 (4) Paragraph (7)(B) of section 402(c) (as re-
12 designated by subsection (a)(1) and as amended by
13 section 301) is amended—

14 (A) by striking “The term” and inserting
15 “Except as provided in this subparagraph, the
16 term”, and

17 (B) by adding at the end the following:
18 “Arrangements described in clauses (iii), (iv)
19 (v), and (vi) shall not be treated as eligible re-
20 tirement plans for purposes of receiving a roll-
21 over contribution of an eligible rollover distribu-
22 tion to the extent that such eligible rollover dis-
23 tribution is not includible in gross income (de-
24 termined without regard to paragraph (1)).”.

1 (5) Paragraph (2) of section 408(d) is
2 amended—

3 (A) by striking “For purposes” and insert-
4 ing the following:

5 “(A) IN GENERAL.—Except as provided in
6 this paragraph, for purposes”,

7 (B) by striking “(A) all” and inserting “(i)
8 all”;

9 (C) by striking “(B) all” and inserting
10 “(ii) all”;

11 (D) by striking “(C) the” and inserting
12 “(iii) the”,

13 (E) by striking “subparagraph (C)” and
14 inserting “clause (iii)”, and

15 (F) by inserting at the end the following:

16 “(B) APPLICATION OF SECTION 72.—For
17 purposes of applying section 72, if—

18 “(i) a distribution is made from an in-
19 dividual retirement plan, and

20 “(ii) a rollover contribution described
21 in paragraph (3) is made to an eligible re-
22 tirement plan described in section
23 402(c)(7)(B)(iii), (iv), (v), or (vi) with re-
24 spect to all or part of such distribution,

the includible amount in the individual's individual retirement plans shall be reduced by the amount described in subparagraph (C). As of the close of the calendar year in which the taxable year begins, the reduction of all amounts described in subparagraph (C)(i) shall be applied prior to the computations described in subparagraph (A)(iii). The amount of any distribution with respect to which there is a rollover contribution described in clause (ii) shall not be treated as a distribution for purposes of subparagraph (A).

“(C) AMOUNT DESCRIBED.—The amount described in this subparagraph is the sum of—

“(i) the amount of the rollover contribution described in subparagraph (B)(ii), and

“(ii) in the case of any portion of the distribution with respect to which there is not a rollover contribution described in paragraph (3), the amount of such portion that is included in gross income under section 72.

“(D) INCLUDIBLE AMOUNT.—For purposes of this paragraph, the term ‘includible amount’

1 shall mean the amount that is not investment
2 in the contract (as defined in section 72).”.

3 (6) Subparagraph (C) of section 402(c)(5) (as
4 redesignated by subsection (a)(1)) is amended by in-
5 serting after “other than money” the following: “or
6 where the amount of the distribution exceeds the
7 amount of the rollover contribution”.

8 (b) HARDSHIP EXCEPTION TO 60-DAY RULE.—

9 (1) Paragraph (2) of section 402(c) (as so re-
10 designated) is amended to read as follows:

11 “(2) TRANSFER MUST BE MADE WITHIN 60
12 DAYS OF RECEIPT.—

13 “(A) IN GENERAL.—Except as provided in
14 subparagraph (B), paragraph (1) shall not
15 apply to any transfer of a distribution made
16 after the 60th day following the day on which
17 the distributee received the property distrib-
18 uted.

19 “(B) HARDSHIP EXCEPTION.—The Sec-
20 retary may waive the 60-day requirement under
21 subparagraph (A) where the failure to waive
22 such requirement would be against equity or
23 good conscience, including casualty, disaster, or
24 other events beyond the reasonable control of
25 the individual subject to such requirement.”.

1 (2) Paragraph (3) of section 408(d) (relating to
2 rollover contributions) is amended by adding at the
3 end the following new subparagraph:

4 “(H) WAIVER OF 60-DAY REQUIREMENT.—

5 The Secretary may waive the 60-day require-
6 ment under subparagraphs (A) and (D) where
7 the failure to waive such requirement would be
8 against equity or good conscience, including
9 casualty, disaster, or other events beyond the
10 reasonable control of the individual subject to
11 such requirement.”.

12 (c) CONFORMING AMENDMENTS.—

13 (1) Paragraph (4) of section 402(c) (as redesign-
14 ated by subsection (a)(1)) is amended by striking
15 “(8)(B)” and inserting “(7)(B)”.

16 (2) Subparagraph (B) of section 403(a)(4) is
17 amended by striking “(2) through (7)” and inserting
18 “(2) through (6)”.

19 (3) Section 403(b)(8)(A)(ii) (as amended by
20 section 301) is amended by striking “section
21 402(c)(8)(B)” and inserting “section 402(c)(7)(B)”.

22 (4) Subparagraph (B) of section 403(b)(8) (as
23 amended by section 301) is amended by striking
24 “(2) through (7) and (9) of section 402(c) (includ-
25 ing paragraph (4)(C) thereof)” and inserting “(2)

1 through (6) and (8) of section 402(c) (including
2 paragraph (3)(C) thereof”).

3 (5) Subparagraph (A) of section 408(d)(3) (as
4 amended by section 302) is amended by striking
5 “402(c)(8)” and inserting “402(c)(7)”.

6 (6) Paragraph (16) of section 457(e) (as added
7 by section 301) is amended—

8 (A) in subparagraph (A)(i) by striking
9 “402(c)(4) (other than section 402(c)(4)(C))”
10 and inserting “section 402(c)(3) (other than
11 section 402(c)(3)(C))”,

12 (B) in subparagraph (A)(ii) by striking
13 “402(c)(8)(B)” and inserting “402(c)(7)(B)”,
14 and

15 (C) in subparagraph (B) by striking “para-
16 graphs (2) through (7) (other than paragraph
17 (4)(C)) and (9) of section 402(c)” and inserting
18 “paragraphs (2) through (6) (other than para-
19 graph (3)(C)) and (8) of section 402(c)”.

20 (d) EFFECTIVE DATE.—

21 (1) IN GENERAL.—Except as provided by para-
22 graph (2), the amendments made by this section
23 shall apply to distributions made after December 31,
24 1999.

1 (2) HARDSHIP EXCEPTION.—The amendments
2 made by subsection (b) shall apply to 60-day periods
3 ending after the date of the enactment of this Act.

4 **SEC. 304. TREATMENT OF FORMS OF DISTRIBUTION.**

5 (a) IN GENERAL.—

6 (1) PLAN TRANSFERS.—Paragraph (6) of sec-
7 tion 411(d) (relating to accrued benefit not to be de-
8 creased by amendment) is amended by adding at the
9 end the following:

10 “(D) PLAN TRANSFERS.—

11 “(i) A defined contribution plan (in
12 this subparagraph referred to as the
13 ‘transferee plan’) shall not be treated as
14 failing to meet the requirements of this
15 subsection merely because the transferee
16 plan does not provide some or all of the
17 forms of distribution previously available
18 under another defined contribution plan
19 (in this paragraph referred to as the
20 ‘transferor plan’) to the extent that—

21 “(I) the forms of distribution
22 previously available under the trans-
23 feror plan applied to the account of a
24 participant or beneficiary under the
25 transferor plan that was transferred

1 from the transferor plan to the trans-
2 feree plan pursuant to a direct trans-
3 fer rather than pursuant to a distribu-
4 tion from the transferor plan;

5 “(II) the terms of both the trans-
6 feror plan and the transferee plan au-
7 thorize the transfer described in sub-
8 clause (I);

9 “(III) the transfer described in
10 subclause (I) was made pursuant to a
11 voluntary election by the participant
12 or beneficiary whose account was
13 transferred to the transferee plan;

14 “(IV) the election described in
15 subclause (III) was made after the
16 participant or beneficiary received a
17 notice describing the consequences of
18 making the election;

19 “(V) if the transferor plan pro-
20 vides for an annuity as the normal
21 form of distribution under the plan in
22 accordance with section 417, the
23 transfer is made with the consent of
24 the participant’s spouse (if any), and
25 such consent meets requirements simi-

1 lar to the requirements imposed by
2 section 417(a)(2); and

3 “(VI) the transferee plan allows
4 the participant or beneficiary de-
5 scribed in subclause (III) to receive
6 any distribution to which the partici-
7 pant or beneficiary is entitled under
8 the transferee plan in the form of a
9 single sum distribution.

10 “(ii) Clause (i) shall apply to plan
11 mergers and other transactions having the
12 effect of a direct transfer, including con-
13 solidations of benefits attributable to dif-
14 ferent employers within a multiple em-
15 ployer plan.

16 “(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regula-
17 tions, a defined contribution plan shall not be
18 treated as failing to meet the requirements of
19 this section merely because of the elimination of
20 a form of distribution previously available there-
21 under. This subparagraph shall not apply to the
22 elimination of a form of distribution with re-
23 spect to any participant unless—
24

1 “(i) a single sum payment is available
2 to such participant at the same time or
3 times as the form of distribution being
4 eliminated; and

5 “(ii) such single sum payment is
6 based on the same or greater portion of
7 the participant’s account as the form of
8 distribution being eliminated.”.

9 (2) REGULATIONS.—The last sentence of para-
10 graph (6)(B) of section 411(d) (relating to accrued
11 benefit not to be decreased by amendment) is
12 amended to read as follows: “The Secretary may by
13 regulations provide that this subparagraph shall not
14 apply to any plan amendment that does not ad-
15 versely affect the rights of participants in a material
16 manner.

17 (3) SECRETARY DIRECTED.—Not later than
18 December 31, 2001, the Secretary of the Treasury
19 is directed to issue final regulations under section
20 411(d)(6) of the Internal Revenue Code of 1986.
21 Such regulations shall apply to plan years beginning
22 after December 31, 2001 or such earlier date as is
23 specified by the Secretary of the Treasury. Under
24 such regulations, section 411(d)(6) of such Code
25 shall not apply to plan amendments that do not ad-

1 versely affect the rights of participants in a material
2 manner. In determining whether a plan amendment
3 has such a materially adverse effect on a participant,
4 the factors taken into account shall include—

5 (A) all of the participant’s early retirement
6 benefits, retirement-type subsidies, and optional
7 forms of benefit that are reduced or eliminated
8 by the plan amendment,

9 (B) the extent to which early retirement
10 benefits, retirement-type subsidies, and optional
11 forms of benefit in effect with respect to a par-
12 ticipant after the effective date of the plan
13 amendment provide rights that are comparable
14 to the rights that are reduced or eliminated by
15 the plan amendment,

16 (C) the number of years before the partici-
17 pant attains normal retirement age under the
18 plan (or early retirement age, as applicable),

19 (D) the size of the participant’s benefit
20 that is affected by the plan amendment, in rela-
21 tion to the amount of the participant’s com-
22 pensation, and

23 (E) the number of years before the plan
24 amendment is effective.

1 The regulations described in this paragraph are in-
2 tended to permit the elimination or reduction of
3 early retirement benefits, retirement-type subsidies,
4 and optional forms of benefit that do not have a ma-
5 terial value for a plan’s participants but create sig-
6 nificant burdens and complexities for the plan and
7 its participants.

8 (b) CONFORMING AMENDMENT.—(1) Subsection (g)
9 of section 204 of the Employee Retirement Income Secu-
10 rity Act of 1974 (29 U.S.C. 1054) is amended by adding
11 at the end the following:

12 “(4)(A) A defined contribution plan (in this subpara-
13 graph referred to as the ‘transferee plan’) shall not be
14 treated as failing to meet the requirements of this sub-
15 section merely because the transferee plan does not pro-
16 vide some or all of the forms of distribution previously
17 available under another defined contribution plan (in this
18 paragraph referred to as the ‘transferor plan’) to the ex-
19 tent that—

20 “(i) the forms of distribution previously avail-
21 able under the transferor plan applied to the account
22 of a participant or beneficiary under the transferor
23 plan that was transferred from the transferor plan
24 to the transferee plan pursuant to a direct transfer

1 rather than pursuant to a distribution from the
2 transferor plan;

3 “(ii) the terms of both the transferor plan and
4 the transferee plan authorize the transfer described
5 in clause (i);

6 “(iii) the transfer described in clause (i) was
7 made pursuant to a voluntary election by the partici-
8 pant or beneficiary whose account was transferred to
9 the transferee plan;

10 “(iv) the election described in clause (iii) was
11 made after the participant or beneficiary received a
12 notice describing the consequences of making the
13 election;

14 “(v) if the transferor plan provides for an annu-
15 ity as the normal form of distribution under the plan
16 in accordance with section 205, the transfer is made
17 with the consent of the participant’s spouse (if any),
18 and such consent meets requirements similar to the
19 requirements imposed by section 205(c)(2); and

20 “(vi) the transferee plan allows the participant
21 or beneficiary described in clause (iii) to receive any
22 distribution which the participant or beneficiary is
23 entitled under transferee plan in the form of a single
24 sum distribution.

1 “(B) Subparagraph (A) shall apply to plan mergers
2 and other transactions having the effect of a direct trans-
3 fer, including consolidations of benefits attributable to dif-
4 ferent employers within a multiple employer plan.

5 “(5) Except to the extent provided in regulations, a
6 defined contribution plan shall not be treated as failing
7 to meet the requirements of this section merely because
8 of the elimination of a form of distribution previously
9 available thereunder. This paragraph shall not apply to
10 the elimination of a form of distribution with respect to
11 any participant unless—

12 “(A) a single sum payment is available to such
13 participant at the same time or times as the form
14 of distribution being eliminated; and

15 “(B) such single sum payment is based on the
16 same or greater portion of the participant’s account
17 as the form of distribution being eliminated.”.

18 (2) Paragraph (2) of section 204(g) of the Employee
19 Retirement Income Security Act of 1974 (29 U.S.C. 1054)
20 is amended by striking the last sentence and inserting the
21 following: “The Secretary of the Treasury may by regula-
22 tions provide that this paragraph shall not apply to any
23 plan amendment that does not adversely affect the rights
24 of participants in a material manner.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to years beginning after December
3 31, 1999.

4 **SEC. 305. RATIONALIZATION OF RESTRICTIONS ON DIS-**
5 **TRIBUTIONS.**

6 (a) MODIFICATION OF SAME DESK EXCEPTION.—

7 (1) SECTION 401(k).—Section
8 401(k)(2)(B)(i)(I) (relating to qualified cash or de-
9 ferred arrangements) is amended by striking “sepa-
10 ration from service” and inserting “severance from
11 employment”.

12 (2) SECTION 403(b).—

13 (A) Paragraphs (7)(A)(ii) and (11)(A) of
14 section 403(b) are each amended by striking
15 “separates from service” and inserting “has a
16 severance from employment”.

17 (B) The heading for paragraph (11) of
18 section 403(b) is amended by striking “SEPARA-
19 TION FROM SERVICE” and inserting “SEVER-
20 ANCE FROM EMPLOYMENT”.

21 (3) SECTION 457.—Clause (ii) of section
22 457(d)(1)(A) is amended by striking “is separated
23 from service” and inserting “has a severance from
24 employment”.

25 (b) BUSINESS SALE REQUIREMENTS REPEALED.—

1 (1) IN GENERAL.—Section 401(k)(2)(B)(i)(II)
2 (relating to qualified cash or deferred arrangements)
3 is amended by striking “an event” and inserting “a
4 plan termination”.

5 (2) CONFORMING AMENDMENTS.—Section
6 401(k)(10) is amended—

7 (A) by striking subparagraph (A) and in-
8 serting the following:

9 “(A) IN GENERAL.—A plan termination is
10 described in this paragraph if the termination
11 of the plan does not involve the establishment
12 or maintenance of another defined contribution
13 plan (other than an employee stock ownership
14 plan as defined in section 4975(e)(7)).”,

15 (B) in subparagraph (B)—

16 (i) by striking “An event” and insert-
17 ing “A termination”, and

18 (ii) by striking “the event” and insert-
19 ing “the termination”,

20 (C) by striking subparagraph (C), and

21 (D) by striking “OR DISPOSITION OF AS-
22 SETS OR SUBSIDIARY” in the heading.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to distributions after December 31,
25 1999.

1 **SEC. 306. PURCHASE OF SERVICE CREDIT IN GOVERN-**
2 **MENTAL DEFINED BENEFIT PLANS.**

3 (a) 403(b) PLANS.—Subsection (b) of section 403 (as
4 amended by section 501) is amended by adding at the end
5 the following new paragraph:

6 “(14) TRUSTEE-TO-TRUSTEE TRANSFERS TO
7 PURCHASE PERMISSIVE SERVICE CREDIT.—No
8 amount shall be includible in gross income by reason
9 of a direct trustee-to-trustee transfer to a defined
10 benefit governmental plan (as defined in section
11 414(d)) if such transfer is—

12 “(A) for the purchase of permissive service
13 credit (as defined in section 415(n)(3)(A))
14 under such plan, or

15 “(B) a repayment to which section 415
16 does not apply by reason of subsection (k)(3)
17 thereof.”.

18 (b) 457 PLANS.—

19 (1) Subsection (e) of section 457 (as amended
20 by section 509) is amended by adding at the end the
21 following new paragraph:

22 “(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO
23 PURCHASE PERMISSIVE SERVICE CREDIT.—No
24 amount shall be includible in gross income by reason
25 of a direct trustee-to-trustee transfer to a defined

1 benefit governmental plan (as defined in section
2 414(d)) if such transfer is—

3 “(A) for the purchase of permissive service
4 credit (as defined in section 415(n)(3)(A))
5 under such plan, or

6 “(B) a repayment to which section 415
7 does not apply by reason of subsection (k)(3)
8 thereof.”.

9 (2) Section 457(b)(2), as amended by sections
10 101, 202, and 301, is amended by striking “(other
11 than rollover amounts)” and inserting “(other than
12 rollover amounts and amounts received in a transfer
13 referred to in subsection (e)(16))”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to trustee-to-trustee transfers after
16 December 31, 1999.

17 **SEC. 307. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**
18 **PURPOSES OF CASH-OUT AMOUNTS.**

19 (a) AMENDMENTS TO 1986 CODE.—

20 (1) Section 411(a)(11) (relating to restrictions
21 on certain mandatory distributions) is amended by
22 adding at the end the following:

23 “(D) SPECIAL RULE FOR ROLLOVER CON-
24 TRIBUTIONS.—A plan shall not fail to meet the
25 requirements of this paragraph if, under the

1 terms of the plan, the present value of the non-
 2 forfeitable accrued benefit is determined with-
 3 out regard to that portion of such benefit which
 4 is attributable to rollover contributions (and
 5 earnings allocable thereto). For purposes of this
 6 subparagraph, the term ‘rollover contributions’
 7 means any rollover contribution under sections
 8 402(c), 403(a)(4), 403(b)(8), clause (ii), (iii),
 9 or (iv) of 408(d)(3)(A), and 457(e)(16).”.

10 (2) Clause (i) of section 457(e)(9)(A) is amend-
 11 ed by striking “such amount” and inserting “the
 12 portion of such amount which is not attributable to
 13 rollover contributions (as defined in section
 14 411(a)(11)(D))”.

15 (b) AMENDMENT TO ERISA.—Section 203(e) of the
 16 Employee Retirement Income Security Act of 1974 (29
 17 U.S.C. 1053(e)) is amended by adding at the end the fol-
 18 lowing:

19 “(4) A plan shall not fail to meet the requirements
 20 of this subsection if, under the terms of the plan, the
 21 present value of the nonforfeitable accrued benefit is de-
 22 termined without regard to that portion of such benefit
 23 which is attributable to rollover contributions (and earn-
 24 ings allocable thereto). For purposes of this paragraph,
 25 the term ‘rollover contributions’ means any rollover con-

1 tribution under sections 402(c), 403(a)(4), 403(b)(8),
 2 clause (ii), (iii), or (iv) of 408(d)(3)(A), and 457(e)(16)
 3 of the Internal Revenue Code of 1986.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to distributions after December 31,
 6 1999.

7 **TITLE IV—STRENGTHENING** 8 **PENSION SECURITY AND EN-** 9 **FORCEMENT**

10 **SEC. 401. REPEAL OF 150 PERCENT OF CURRENT LIABILITY** 11 **FUNDING LIMIT.**

12 (a) IN GENERAL.—

13 (1) CODE AMENDMENT.—Section 412(c)(7) (re-
 14 lating to full-funding limitation) is amended—

15 (A) by striking “the applicable percentage”
 16 in subparagraph (A)(i)(I) and inserting “in the
 17 case of plan years beginning before January 1,
 18 2003, the applicable percentage”, and

19 (B) by amending subparagraph (F) to read
 20 as follows:

21 “(F) APPLICABLE PERCENTAGE.—For
 22 purposes of subparagraph (A)(i)(I), the applica-
 23 ble percentage shall be determined in accord-
 24 ance with the following table:

“In the case of any plan year beginning in—	The applicable percentage is—
2000	160

2001	165
2002	170.”.

1 (2) ERISA AMENDMENT.—Section 302(c)(7) of
2 the Employee Retirement Income Security Act of
3 1974 (29 U.S.C. 1082(c)(7)) is amended—

4 (A) by striking “the applicable percentage”
5 in subparagraph (A)(i)(I) and inserting “in the
6 case of plan years beginning before January 1,
7 2003, the applicable percentage”, and

8 (B) by amending subparagraph (F) to read
9 as follows:

10 “(F) APPLICABLE PERCENTAGE.—For purposes
11 of subparagraph (A)(i)(I), the applicable percentage
12 shall be determined in accordance with the following
13 table:

“In the case of any plan year beginning in—	The applicable percentage is—
2000	160
2001	165
2002	170.”.

14 (3) EFFECTIVE DATES.—The amendments
15 made by this subsection shall apply to plan years be-
16 ginning after December 31, 1999.

17 (b) MAXIMUM CONTRIBUTION DEDUCTION RULES
18 MODIFIED AND APPLIED TO ALL DEFINED BENEFIT
19 PLANS.—

1 (1) IN GENERAL.—Section 404(a)(1)(D) (relat-
2 ing to special rule in case of certain plans) is
3 amended—

4 (A) by striking “which has more than 100
5 participants for the plan year”,

6 (B) by striking “unfunded current liability
7 determined under section 414(l)” and inserting
8 “unfunded termination liability (determined as
9 if the proposed termination date referred to in
10 section 4041(b)(2)(A)(i)(II) of the Employee
11 Retirement Income Security Act of 1974 were
12 the last day of the plan year)”,

13 (C) by inserting after the first sentence the
14 following: “For purposes of this subparagraph,
15 in the case of a plan which has less than 100
16 participants for the plan year, termination li-
17 ability shall not include the liability attributable
18 to benefit increases for highly compensated em-
19 ployees (as defined in section 414(q)) brought
20 about by plan amendment within the last 2
21 years before the termination date.”, and

22 (D) by striking “(other than a multiem-
23 ployer plan)”.

1 (2) CONFORMING AMENDMENT.—Paragraph (6)
 2 of section 4972(c) is amended by striking the sen-
 3 tence preceding the last sentence thereof.

4 (3) EFFECTIVE DATE.—The amendments made
 5 by this subsection shall apply to plan years begin-
 6 ning after the date of enactment of this Act.

7 **SEC. 402. MISSING PARTICIPANTS.**

8 (a) IN GENERAL.—Section 4050 of the Employee Re-
 9 tirement Income Security Act of 1974 (29 U.S.C. 1350)
 10 is amended by redesignating subsection (c) as subsection
 11 (e) and by inserting after subsection (b) the following:

12 “(c) MULTIEMPLOYER PLANS.—The corporation
 13 shall prescribe rules similar to the rules in subsection (a)
 14 for multiemployer plans covered by this title that termi-
 15 nate under section 4041A.

16 “(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

17 “(1) TRANSFER TO CORPORATION.—The plan
 18 administrator of a plan described in paragraph (4)
 19 may elect to transfer a missing participant’s benefits
 20 to the corporation upon termination of the plan.

21 “(2) INFORMATION TO THE CORPORATION.—To
 22 the extent provided in regulations, the plan adminis-
 23 trator of a plan described in paragraph (4) shall,
 24 upon termination of the plan, provide the corpora-

1 tion information with respect to benefits of a miss-
2 ing participant if the plan transfers such benefits—

3 “(A) to the corporation, or

4 “(B) to an entity other than the corpora-
5 tion or a plan described in paragraph (4)(B)(ii).

6 “(3) PAYMENT BY THE CORPORATION.—If ben-
7 efits of a missing participant were transferred to the
8 corporation under paragraph (1), the corporation
9 shall, upon location of the participant or beneficiary,
10 pay to the participant or beneficiary the amount
11 transferred (or the appropriate survivor benefit)
12 either—

13 “(A) in a single sum (plus interest), or

14 “(B) in such other form as is specified in
15 regulations of the corporation.

16 “(4) PLANS DESCRIBED.—A plan is described
17 in this paragraph if—

18 “(A) the plan is a pension plan (within the
19 meaning of section 3(2))—

20 “(i) to which the provisions of this
21 section do not apply (without regard to
22 this subsection), and

23 “(ii) which is not a plan described in
24 paragraphs (2) through (11) of section
25 4021(b), and

1 “(B) at the time the assets are to be dis-
2 tributed upon termination, the plan—

3 “(i) has missing participants, and

4 “(ii) has not provided for the transfer
5 of assets to pay the benefits of all missing
6 participants to another pension plan (with-
7 in the meaning of section 3(2)).

8 “(5) CERTAIN PROVISIONS NOT TO APPLY.—

9 Subsections (a)(1) and (a)(3) shall not apply to a
10 plan described in paragraph (4).”.

11 (b) CONFORMING AMENDMENTS.—

12 (1) Section 206(f) of the Employee Retirement
13 Income Security Act of 1974 (29 U.S.C. 1056(f)) is
14 amended—

15 (A) by striking “title IV” and inserting
16 “section 4050”, and

17 (B) by striking “the plan shall provide
18 that”.

19 (2) Section 401(a)(34) of such Act (relating to
20 benefits of missing participants on plan termination)
21 is amended by striking “title IV” and inserting “sec-
22 tion 4050”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to distributions made after final
25 regulations implementing subsections (c) and (d) of sec-

tion 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 403. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025(a)) is amended by striking “shall furnish to any plan participant or beneficiary who so requests in writing, a statement” and inserting “shall furnish to each plan participant at least once each year (in the case of a defined contribution plan) and upon written request of a plan participant or beneficiary (in the case of a defined benefit plan), a statement in written or electronic form”.

(b) REQUIRED PERIODIC STATEMENTS FOR PLANS WITH MORE THAN ONE UNAFFILIATED EMPLOYER.—Section 105(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025(d)) is repealed.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 1999.

SEC. 404. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Re-

1 Retirement Income Security Act of 1974 (29 U.S.C.
2 1132(l)(1)) is amended—

3 (1) by striking “shall” and inserting “may”,
4 and

5 (2) by striking “equal to” and inserting “not
6 greater than”.

7 (b) APPLICABLE RECOVERY AMOUNT.—Section
8 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended
9 to read as follows:

10 “(2) For purposes of paragraph (1), the term ‘appli-
11 cable recovery amount’ means any amount which is recov-
12 ered from any fiduciary or other person (or from any other
13 person on behalf of any such fiduciary or other person)
14 with respect to a breach or violation described in para-
15 graph (1) on or after the 30th day following receipt by
16 such fiduciary or other person of written notice from the
17 Secretary of the violation, whether paid voluntarily or by
18 order of a court in a judicial proceeding instituted by the
19 Secretary under subsection (a)(2) or (a)(5). The Secretary
20 may, in the Secretary’s sole discretion, extend the 30-day
21 period described in the preceding sentence.”.

22 (c) OTHER RULES.—Section 502(l) of the Employee
23 Retirement Income Security Act of 1974 (29 U.S.C.
24 1132(l)) is amended by adding at the end the following:

1 “(5) A person shall be jointly and severally liable for
2 the penalty described in paragraph (1) to the same extent
3 that such person is jointly and severally liable for the ap-
4 plicable recovery amount on which the penalty is based.

5 “(6) No penalty shall be assessed under this sub-
6 section unless the person against whom the penalty is as-
7 sessed is given notice and opportunity for a hearing with
8 respect to the violation and applicable recovery amount.”.

9 (d) EFFECTIVE DATES.—

10 (1) IN GENERAL.—The amendments made by
11 this section shall apply to any breach of fiduciary re-
12 sponsibility or other violation of part 4 of subtitle B
13 of title I of the Employee Retirement Income Secu-
14 rity Act of 1974 occurring on or after the date of
15 enactment of this Act.

16 (2) TRANSITION RULE.—In applying the
17 amendment made by subsection (b) (relating to ap-
18 plicable recovery amount), a breach or other viola-
19 tion occurring before the date of enactment of this
20 Act which continues after the 180th day after such
21 date (and which may have been discontinued at any
22 time during its existence) shall be treated as having
23 occurred after such date of enactment.

1 **SEC. 405. PENALTY TAX RELIEF FOR SOUND PENSION**
2 **FUNDING.**

3 (a) IN GENERAL.—Subsection (c) of section 4972
4 (relating to nondeductible contributions) is amended by
5 adding at the end the following new paragraph:

6 “(7) DEFINED BENEFIT PLAN EXCEPTION.—In
7 determining the amount of nondeductible contribu-
8 tions for any taxable year, an employer may elect for
9 such year not to take into account any contributions
10 to a defined benefit plan except to the extent that
11 such contributions exceed the full-funding limitation
12 (as defined in section 412(c)(7), determined without
13 regard to subparagraph (A)(i)(I) thereof). For pur-
14 poses of this paragraph, the deductible limits under
15 section 404(a)(7) shall first be applied to amounts
16 contributed to defined contribution plans and then
17 to amounts described in this paragraph. If an em-
18 ployer makes an election under this paragraph for a
19 taxable year, paragraph (6) shall not apply to such
20 employer for such taxable year.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to years beginning after December
23 31, 1999.

1 **SEC. 406. PROTECTION OF INVESTMENT OF EMPLOYEE**
2 **CONTRIBUTIONS TO 401(K) PLANS.**

3 (a) IN GENERAL.—Section 1524(b) of the Taxpayer
4 Relief Act of 1997 is amended to read as follows:

5 “(b) EFFECTIVE DATE.—

6 “(1) IN GENERAL.—Except as provided in para-
7 graph (2), the amendments made by this section
8 shall apply to elective deferrals for plan years begin-
9 ning after December 31, 1998.

10 “(2) NONAPPLICATION TO PREVIOUSLY AC-
11 QUIRED PROPERTY.—The amendments made by this
12 section shall not apply to any elective deferral if
13 such deferral is used for the payment of indebted-
14 ness incurred before January 1, 1999 (or any refi-
15 nancing thereof) on the acquisition by the plan of
16 employer securities or employer real property—

17 “(A) before January 1, 1999, or

18 “(B) after such date pursuant to a written
19 contract which was binding on such date and at
20 all times thereafter on such plan.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply as if included in the provision of
23 the Taxpayer Relief Act of 1997 to which it relates.

1 **SEC. 407. NOTICE OF SIGNIFICANT REDUCTION IN BENEFIT**
2 **ACCRUALS.**

3 (a) IN GENERAL.—Subsection (h) of section 204 of
4 the Employee Retirement Income Security Act of 1974
5 (29 U.S.C. 1054) is amended to read as follows:

6 “(h) NOTICE OF SIGNIFICANT REDUCTION IN BENE-
7 FIT ACCRUALS.—

8 “(1) If a plan described in paragraph (4) is
9 amended to provide for a significant reduction in the
10 rate of future benefit accrual, the plan administrator
11 shall provide a notice to—

12 “(A) each affected participant in the plan,

13 “(B) each affected beneficiary who is an
14 alternate payee (within the meaning of section
15 206(d)(3)(K)) under an applicable qualified do-
16 mestic relations order (within the meaning of
17 section 206(d)(3)(B)(i)), and

18 “(C) each employee organization represent-
19 ing affected participants in the plan, except
20 that such notice shall instead be provided to a
21 person designated to receive such notice on be-
22 half of any person referred to in paragraph (A),
23 (B), or (C). For purposes of this paragraph, an
24 affected participant or beneficiary is a partici-
25 pant or beneficiary to whom the significant re-

1 duction described in this paragraph is reason-
2 ably expected to apply.

3 “(2) The notice required by paragraph (1)
4 shall—

5 “(A) include the plan amendment, or a
6 summary of such plan amendment, and its ef-
7 fective date, and

8 “(B) provide a notification and description
9 of the reduction described in paragraph (1).

10 A notification and description shall not fail to satisfy
11 paragraph (2)(B) by reason of a failure to provide
12 the specific amount of the reduction with respect to
13 any participant or beneficiary.

14 “(3) The notice required by paragraph (1) shall
15 be provided no less than 30 days prior to the effec-
16 tive date of the plan amendment.

17 “(4) A plan is described in this paragraph if
18 such plan is—

19 “(A) a defined benefit plan, or

20 “(B) an individual account plan which is
21 subject to the funding standards of section 302.

22 “(5) In the case of a material failure to comply
23 with requirements of this subsection with respect to
24 more than a de minimis number of persons described
25 in paragraph (1), the plan amendment to which the

1 failure relates shall not be effective with respect to
 2 such persons for any period prior to the expiration
 3 of 30 days following the date on which a notice is
 4 provided in accordance with this subsection. For
 5 purposes of this paragraph, the term ‘material fail-
 6 ure’ includes any failure that results in materially
 7 less information being provided to the persons de-
 8 scribed in paragraph (1).”.

9 (b) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to plan amendments that are
 11 adopted more than 120 days after the date of enactment
 12 of this Act.

13 **TITLE V—REDUCING** 14 **REGULATORY BURDENS**

15 **SEC. 501. INTERMEDIATE SANCTIONS FOR INADVERTENT** 16 **FAILURES.**

17 (a) IN GENERAL.—Section 401(a) (relating to quali-
 18 fied pension, profit-sharing, and stock bonus plans) is
 19 amended by inserting after paragraph (34) the following:

20 “(35) PROTECTION FROM DISQUALIFICATION
 21 UPON TIMELY CORRECTION OR PAYMENT OF FINE.—

22 A trust shall not fail to constitute a qualified trust
 23 under this section if the plan of which such trust is
 24 a part has made good faith efforts to meet the re-
 25 quirements of this section, has inadvertently failed

1 to satisfy 1 or more of such requirements, and
2 either—

3 “(A) substantially corrects (to the extent
4 possible) such failure before the date the plan
5 becomes subject to a plan examination for the
6 applicable year (as determined under rules pre-
7 scribed by the Secretary), or

8 “(B) substantially corrects (to the extent
9 possible) such failure on or after such date.

10 If the plan satisfies the requirement under subpara-
11 graph (B), the Secretary may require the sponsoring
12 employer to make a payment to the Secretary in an
13 amount that does not exceed an amount that bears
14 a reasonable relationship to the severity of the plan’s
15 failure to satisfy the requirements of this section.”.

16 (b) APPLICATION TO CASH OR DEFERRED ARRANGE-
17 MENTS.—Section 401(k) is amended by inserting after
18 paragraph (12) the following new paragraph:

19 “(13) PROTECTION FROM DISQUALIFICATION.—
20 Rules similar to the rules set forth in section
21 401(a)(35) shall apply for purposes of determining
22 whether a cash or deferred arrangement is a quali-
23 fied cash or deferred arrangement.”.

1 (c) APPLICATION TO SECTION 403(b) ANNUITY CON-
2 TRACTS.—Section 403(b) is amended by inserting after
3 paragraph (12) the following:

4 “(13) CORRECTION OF ERRORS.—For purposes
5 of determining whether the exclusion from gross in-
6 come under paragraph (1) is applicable to an em-
7 ployee for any taxable year, rules similar to the rules
8 set forth in section 401(a)(35) shall apply to any an-
9 nuity contract purchased under this subsection or
10 any plan established to meet the requirements of
11 this subsection.”.

12 (d) INCOME INCLUSION FOR DISQUALIFICATION NOT
13 APPLICABLE TO NONHIGHLY COMPENSATED EMPLOY-
14 EES.—Section 402(b) (relating to taxability of beneficiary
15 of nonexempt trust) is amended by striking paragraph (4)
16 and inserting the following:

17 “(4) INCOME INCLUSION FOR DISQUALIFICA-
18 TION NOT APPLICABLE TO NONHIGHLY COM-
19 PENSATED EMPLOYEES.—Paragraphs (1) and (2)
20 shall not apply to employees who are not highly com-
21 pensated employees.

22 “(5) FAILURE TO MEET REQUIREMENTS OF
23 SECTION 401(a)(26) OR 410(b).—If 1 of the reasons
24 a trust is not exempt from tax under section 501(a)
25 is the failure of the plan to meet the requirements

1 of section 401(a)(26) or 410(b), then a highly com-
2 pensated employee shall, in lieu of the amount deter-
3 mined under paragraph (1) or (2), include in gross
4 income for the taxable year with or within which the
5 taxable year of the trust ends an amount equal to
6 the vested accrued benefit of such employee (other
7 than the employee's investment in the contract) as
8 of the close of such taxable year of the trust.

9 “(6) HIGHLY COMPENSATED EMPLOYEE.—For
10 purposes of this subsection, the term ‘highly com-
11 pensated employee’ has the meaning given such term
12 by section 414(q).”.

13 (e) EFFECTIVE DATE.—The amendments made by
14 this section shall take effect on the date of enactment of
15 this Act.

16 **SEC. 502. REPEAL OF THE MULTIPLE USE TEST.**

17 (a) IN GENERAL.—Paragraph (9) of section 401(m)
18 is amended to read as follows:

19 “(9) REGULATIONS.—The Secretary shall pre-
20 scribe such regulations as may be necessary to carry
21 out the purposes of this subsection and subsection
22 (k), including regulations permitting appropriate ag-
23 gregation of plans and contributions.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to years beginning after December
3 31, 1999.

4 **SEC. 503. SAFETY VALVE FROM MECHANICAL RULES.**

5 (a) IN GENERAL.—The Secretary of the Treasury, by
6 regulation, shall provide that the plan shall be deemed to
7 satisfy the requirements of section 401(a)(4) of the Inter-
8 nal Revenue Code of 1986 if such plan satisfies the facts
9 and circumstances test under section 401(a)(4) of such
10 Code, as in effect before January 1, 1994, if—

11 (1) the plan satisfies conditions prescribed by
12 the Secretary to appropriately limit the availability
13 of such test, and

14 (2) the plan is submitted to the Secretary for
15 a determination of whether it satisfies such test.

16 Paragraph (2) shall only apply to the extent provided by
17 the Secretary.

18 (b) EFFECTIVE DATES.—

19 (1) REGULATIONS.—The regulation required by
20 subsection (a) shall apply to years beginning after
21 December 31, 2000.

22 (2) CONDITIONS OF AVAILABILITY.—Any condi-
23 tion of availability prescribed by the Secretary under
24 subsection (a)(1) shall not apply before the first year

1 beginning not less than 120 days after the date on
2 which such condition is prescribed.

3 **SEC. 504. REFORM OF THE LINE OF BUSINESS RULES.**

4 (a) **REPEAL OF GATEWAY TEST.**—Paragraph (5) of
5 section 410(b) is amended to read as follows:

6 “(5) **LINE OF BUSINESS EXCEPTION.**—If, under
7 section 414(r), an employer is treated as operating
8 separate lines of business for a year, the employer
9 may apply the requirements of this subsection for
10 such year separately with respect to employees in
11 each separate line of business.”.

12 (b) **REGULATIONS.**—The Secretary of the Treasury
13 shall modify the regulations issued under section 414(r)
14 of the Internal Revenue Code of 1986 (relating to special
15 rules for separate line of business) to—

16 (1) simplify the administrability of the rules for
17 both the Secretary and plans, and

18 (2) permit employees to be allocated among
19 lines of business based on all the facts and cir-
20 cumstances.

21 (c) **EFFECTIVE DATES.**—

22 (1) **REPEAL.**—The repeal made by subsection

23 (a) shall apply to years beginning after December
24 31, 2000.

1 (2) REGULATIONS.—The regulations modified
2 under subsection (b) shall apply to years beginning
3 after December 31, 2000.

4 **SEC. 505. COVERAGE TEST FLEXIBILITY.**

5 (a) IN GENERAL.—Paragraph (1) of section 410(b)
6 is amended by adding at the end the following:

7 “(D) In the case that the plan fails to
8 meet the requirements of subparagraphs (A),
9 (B) and (C), the plan—

10 “(i) satisfies subparagraph (B), as in
11 effect immediately before the enactment of
12 the Tax Reform Act of 1986,

13 “(ii) is submitted to the Secretary for
14 a determination of whether it satisfies the
15 requirement described in clause (i), and

16 “(iii) satisfies conditions prescribed by
17 the Secretary by regulation that appro-
18 priately limit the availability of this sub-
19 paragraph.

20 Clause (ii) shall apply only to the extent pro-
21 vided by the Secretary.”.

22 (b) EFFECTIVE DATES.—

23 (1) IN GENERAL.—The amendment made by
24 subsection (a) shall apply to years beginning after
25 December 31, 2000.

1 (2) CONDITIONS OF AVAILABILITY.—Any condi-
2 tion of availability prescribed by the Secretary under
3 regulations prescribed by the Secretary under sec-
4 tion 410(a)(1)(D) of the Internal Revenue Code of
5 1986 shall not apply before the first year beginning
6 not less than 120 days after the date on which such
7 condition is prescribed.

8 **SEC. 506. INCREASE IN RETIREMENT PLAN CASH-OUT**
9 **AMOUNT.**

10 (a) AMENDMENTS TO 1986 CODE.—Section
11 411(a)(11) (relating to restrictions on certain mandatory
12 distributions) is amended by adding at the end the follow-
13 ing:

14 “(D) INFLATION ADJUSTMENT.—In the
15 case of any plan year beginning in a calendar
16 year after 1999, the Secretary shall adjust an-
17 nually the \$5,000 amount contained in subpara-
18 graph (A) for increases in the cost of living at
19 the same time and in the same manner as ad-
20 justments under section 415(d); except that the
21 base period shall be the calendar quarter ending
22 September 30, 1999, and any increase which is
23 not a multiple of \$500 shall be rounded to the
24 next lowest multiple of \$500.”.

1 (b) AMENDMENTS TO ERISA.—Section 203(e) of the
2 Employee Retirement Income Security Act of 1974 (29
3 U.S.C. 1053(e)) is amended by adding at the end the fol-
4 lowing:

5 “(4) INFLATION ADJUSTMENT.—In the case of any
6 plan year beginning in a calendar year after 1999, the
7 Secretary shall adjust annually the \$5,000 amount con-
8 tained in paragraph (1) for increases in the cost of living
9 at the same time and in the same manner as adjustments
10 under section 415(d) of the Internal Revenue Code of
11 1986; except that the base period shall be the calendar
12 quarter ending September 30, 1999, and any increase
13 which is not a multiple of \$500 shall be rounded to the
14 next lowest multiple of \$500.”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to plan years beginning on or after
17 the date of enactment of this Act.

18 **SEC. 507. MODIFICATION OF TIMING OF PLAN VALUATIONS.**

19 (a) IN GENERAL.—Section 412(c)(9) (relating to an-
20 nual valuation) is amended—

21 (1) by striking “For purposes” and inserting
22 the following:

23 “(A) IN GENERAL.—For purposes”, and

24 (2) by adding at the end the following:

1 “(B) ELECTION TO USE PRIOR YEAR
2 VALUATION.—

3 “(i) IN GENERAL.—If, for any plan
4 year—

5 “(I) an election is in effect under
6 this subparagraph with respect to a
7 plan, and

8 “(II) the assets of the plan are
9 not less than 125 percent of the
10 plan’s current liability (as defined in
11 paragraph (7)(B)), determined as of
12 the valuation date for the preceding
13 plan year, then this section shall be
14 applied using the information avail-
15 able as of such valuation date.

16 “(ii) ADJUSTMENTS.—Information
17 under clause (i) shall, in accordance with
18 regulations, be actuarially adjusted to re-
19 flect significant differences in participants.

20 “(iii) ELECTION.—An election under
21 this subparagraph, once made, shall be ir-
22 revocable without the consent of the Sec-
23 retary.”.

1 (b) AMENDMENTS TO ERISA.—Paragraph (9) of
2 section 302(c) of the Employee Retirement Income Secu-
3 rity Act of 1974 (29 U.S.C. 1053(c)) is amended—

4 (1) by inserting “(A)” after “(9)”, and

5 (2) by adding at the end the following:

6 “(B)(i) If, for any plan year—

7 “(I) an election is in effect under this subpara-
8 graph with respect to a plan, and

9 “(II) the assets of the plan are not less than
10 125 percent of the plan’s current liability (as defined
11 in paragraph (7)(B)), determined as of the valuation
12 date for the preceding plan year,

13 then this section shall be applied using the information
14 available as of such valuation date.

15 “(ii) Information under clause (i) shall, in accordance
16 with regulations, be actuarially adjusted to reflect signifi-
17 cant differences in participants.

18 “(iii) An election under this subparagraph, once
19 made, shall be irrevocable without the consent of the Sec-
20 retary of the Treasury.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to plan years beginning on or after
23 the date of enactment of this Act.

1 **SEC. 508. SECTION 457 INAPPLICABLE TO CERTAIN MIRROR**
2 **PLANS.**

3 (a) IN GENERAL.—Subsection (e) of section 457 (re-
4 lating to deferred compensation plans of State and local
5 governments and tax-exempt organizations) is amended by
6 adding at the end the following new paragraph:

7 “(17) This section shall not apply to a plan,
8 program, or arrangement maintained solely for the
9 purposes of providing retirement benefits for em-
10 ployees in excess of the limitations imposed by sec-
11 tions 401(a)(17) or 415.”.

12 (b) CERTAIN DEFERRED COMPENSATION NOT
13 TAKEN INTO ACCOUNT.—Subsection (c) of section 457
14 (relating to individuals who are participants in more than
15 1 plan) (as amended by section 108(a)) is amended by
16 adding at the end the following: “This section shall be ap-
17 plied without regard to a plan, program, or arrangement
18 described in subsection (e)(17).”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to years beginning after December
21 31, 1999.

22 **SEC. 509. SUBSTANTIAL OWNER BENEFITS IN TERMINATED**
23 **PLANS.**

24 (a) MODIFICATION OF PHASE-IN OF GUARANTEE.—
25 Section 4022(b)(5) of the Employee Retirement Income

1 Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended
2 to read as follows:

3 “(5)(A) For purposes of this paragraph, the term
4 ‘majority owner’ means an individual who, at any time
5 during the 60-month period ending on the date the deter-
6 mination is being made—

7 “(i) owns the entire interest in an unincor-
8 porated trade or business,

9 “(ii) in the case of a partnership, is a partner
10 who owns, directly or indirectly, 50 percent or more
11 of either the capital interest or the profits interest
12 in such partnership, or

13 “(iii) in the case of a corporation, owns, directly
14 or indirectly, 50 percent or more in value of either
15 the voting stock of that corporation or all the stock
16 of that corporation.

17 For purposes of clause (iii), the constructive ownership
18 rules of section 1563(e) of the Internal Revenue Code of
19 1986 shall apply (determined without regard to section
20 1563(e)(3)(C)).

21 “(B) In the case of a participant who is a majority
22 owner, the amount of benefits guaranteed under this sec-
23 tion shall equal the product of—

24 “(i) a fraction (not to exceed 1) the numerator
25 of which is the number of years from the later of the

1 effective date or the adoption date of the plan to the
2 termination date, and the denominator of which is
3 10, and

4 “(ii) the amount of benefits that would be guar-
5 anteed under this section if the participant were not
6 a majority owner.”.

7 (b) MODIFICATION OF ALLOCATION OF ASSETS.—

8 (1) Section 4044(a)(4)(B) of the Employee Re-
9 tirement Income Security Act of 1974 (29 U.S.C.
10 1344(a)(4)(B)) is amended by striking “section
11 4022(b)(5)” and inserting “section 4022(b)(5)(B)”.

12 (2) Section 4044(b) of such Act (29 U.S.C.
13 1344(b)) is amended—

14 (A) by striking “(5)” in paragraph (2) and
15 inserting “(4), (5),” and

16 (B) by redesignating paragraphs (3)
17 through (6) as paragraphs (4) through (7), re-
18 spectively, and by inserting after paragraph (2)
19 the following:

20 “(3) If assets available for allocation under
21 paragraph (4) of subsection (a) are insufficient to
22 satisfy in full the benefits of all individuals who are
23 described in that paragraph, the assets shall be allo-
24 cated first to benefits described in subparagraph (A)
25 of that paragraph. Any remaining assets shall then

1 be allocated to benefits described in subparagraph
2 (B) of that paragraph. If assets allocated to such
3 subparagraph (B) are insufficient to satisfy in full
4 the benefits described in that subparagraph, the as-
5 sets shall be allocated pro rata among individuals on
6 the basis of the present value (as of the termination
7 date) of their respective benefits described in that
8 subparagraph.”.

9 (c) CONFORMING AMENDMENTS.—

10 (1) Section 4021 of the Employee Retirement
11 Income Security Act of 1974 (29 U.S.C. 1321) is
12 amended—

13 (A) in subsection (b)(9), by striking “as
14 defined in section 4022(b)(6)”, and

15 (B) by adding at the end the following:

16 “(d) For purposes of subsection (b)(9), the term
17 “substantial owner” means an individual who, at any time
18 during the 60-month period ending on the date the deter-
19 mination is being made—

20 “(1) owns the entire interest in an unincor-
21 porated trade or business,

22 “(2) in the case of a partnership, is a partner
23 who owns, directly or indirectly, more than 10 per-
24 cent of either the capital interest or the profits inter-
25 est in such partnership, or

1 “(3) in the case of a corporation, owns, directly
2 or indirectly, more than 10 percent in value of either
3 the voting stock of that corporation or all the stock
4 of that corporation.

5 For purposes of paragraph (3), the constructive ownership
6 rules of section 1563(e) of the Internal Revenue Code of
7 1986 shall apply (determined without regard to section
8 1563(e)(3)(C)).”.

9 (2) Section 4043(c)(7) of such Act (29 U.S.C.
10 1343(c)(7)) is amended by striking “section 4022(b)(6)”
11 and inserting “section 4021(d)”.

12 (d) EFFECTIVE DATES.—

13 (1) IN GENERAL.—Except as provided in para-
14 graph (2), the amendments made by this section
15 shall apply to plan terminations—

16 (A) under section 4041(c) of the Employee
17 Retirement Income Security Act of 1974 (29
18 U.S.C. 1341(c)) with respect to which notices
19 of intent to terminate are provided under sec-
20 tion 4041(a)(2) of such Act (29 U.S.C.
21 1341(a)(2)) on or after the date of enactment
22 of this Act, and

23 (B) under section 4042 of such Act (29
24 U.S.C. 1342) with respect to which proceedings

1 are instituted by the corporation on or after
2 such date.

3 (2) CONFORMING AMENDMENTS.—The amend-
4 ments made by subsection (c) shall take effect on
5 the date of enactment of this Act.

6 **SEC. 510. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**
7 **LOSS OF DIVIDEND DEDUCTION.**

8 (a) IN GENERAL.—Section 404(k)(2)(A) (defining
9 applicable dividends) is amended by striking “or” at the
10 end of clause (ii), by redesignating clause (iii) as clause
11 (iv), and by inserting after clause (ii) the following new
12 clause:

13 “(iii) is, at the election of such par-
14 ticipants or their beneficiaries—

15 “(I) payable as provided in clause
16 (i) or (ii), or

17 “(II) paid to the plan and rein-
18 vested in qualifying employer securi-
19 ties, or”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 1999.

1 **SEC. 511. MODIFICATION OF 403(b) EXCLUSION ALLOWANCE**
2 **TO CONFORM TO 415 MODIFICATION.**

3 The Secretary of the Treasury shall modify the regu-
4 lations regarding the exclusion allowance under section
5 403(b)(2) of the Internal Revenue Code of 1986 to render
6 void the requirement that contributions to a defined bene-
7 fit pension plan be treated as previously excluded amounts
8 for purposes of the exclusion allowance. For taxable years
9 beginning after December 31, 1999, such regulations shall
10 be applied as if such requirement were void.

11 **SEC. 512. TREATMENT OF MULTIEMPLOYER PLANS UNDER**
12 **SECTION 415.**

13 (a) **COMPENSATION LIMIT.**—Paragraph (11) of sec-
14 tion 415(b) (relating to limitation for defined benefit
15 plans) is amended to read as follows:

16 “(11) **SPECIAL LIMITATION RULE FOR GOVERN-**
17 **MENTAL AND MULTIEMPLOYER PLANS.**—In the case
18 of a governmental plan (as defined in section
19 414(d)) or a multiemployer plan (as defined in sec-
20 tion 414(f)), subparagraph (B) of paragraph (1)
21 shall not apply.”.

22 (b) **EXEMPTION FOR SURVIVOR AND DISABILITY**
23 **BENEFITS.**—Subparagraph (I) of section 415(b)(2) (relat-
24 ing to limitation for defined benefit plans) is amended—

1 (1) by inserting “or a multiemployer plan (as
2 defined in section 414(f))” after “section 414(d))”
3 in clause (i),

4 (2) by inserting “or multiemployer plan” after
5 “governmental plan” in clause (ii), and

6 (3) by inserting “AND MULTIEMPLOYER” after
7 “GOVERNMENTAL” in the heading.

8 (c) COMBINING AND AGGREGATION OF PLANS.—

9 (1) COMBINING OF PLANS.—Subsection (f) of
10 section 415 (relating to combining of plans) is
11 amended by adding at the end the following:

12 “(3) EXCEPTION FOR MULTIEMPLOYER
13 PLANS.—Notwithstanding paragraph (1) and sub-
14 section (g), a multiemployer plan (as defined in sec-
15 tion 414(f)) shall not be combined or aggregated
16 with any other plan maintained by an employer for
17 purposes of applying the limitations established in
18 this section.”.

19 (2) CONFORMING AMENDMENT FOR AGGREGA-
20 TION OF PLANS.—Subsection (g) of section 415 (re-
21 lating to aggregation of plans) is amended by strik-
22 ing “The Secretary” and inserting “Except as pro-
23 vided in subsection (f)(3), the Secretary”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to years beginning after December
3 31, 1999.

4 **SEC. 513. ELIMINATION OF PARTIAL TERMINATION RULES**
5 **FOR MULTIEMPLOYER PLANS.**

6 (a) PARTIAL TERMINATION RULES FOR MULTIEM-
7 PLOYER PLANS.—Section 411(d)(3) (relating to termi-
8 nation or partial termination; discontinuance of contribu-
9 tions) is amended by adding at the end the following new
10 sentence: “This paragraph shall not apply in the case of
11 a partial termination of a multiemployer plan.”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall apply to partial terminations beginning
14 after December 31, 1999.

15 **SEC. 514. NOTICE AND CONSENT PERIOD REGARDING DIS-**
16 **TRIBUTIONS.**

17 (a) EXPANSION OF PERIOD.—

18 (1) IN GENERAL.—

19 (A) Subparagraph (A) of section 417(a)(6)
20 is amended by striking “90-day” and inserting
21 “one-year”.

22 (B) Subparagraph (A) of section 205(c)(7)
23 of the Employee Retirement Income Security
24 Act of 1974 (29 U.S.C. 1055) is amended by
25 striking “90-day” and inserting “one-year”.

1 (2) MODIFICATION OF REGULATIONS.—The
2 Secretary of the Treasury shall modify the regula-
3 tions under sections 402(f), 411(a)(11), and 417 of
4 the Internal Revenue Code of 1986 to substitute
5 “one year” for “90 days” each place it appears in
6 Treasury Regulations sections 1.402(f)–1, 1.411(a)–
7 11(c), and 1.417(e)–1(b).

8 (3) EFFECTIVE DATE.—The amendments made
9 by paragraph (1) and the modifications required by
10 paragraph (2) shall apply to years beginning after
11 December 31, 1999.

12 (b) CONSENT REGULATION INAPPLICABLE TO CER-
13 TAIN DISTRIBUTIONS.—

14 (1) IN GENERAL.—The Secretary of the Treas-
15 ury shall modify the regulations under section
16 411(a)(11) of the Internal Revenue Code of 1986 to
17 provide that the description of a participant’s right,
18 if any, to defer receipt of a distribution shall also de-
19 scribe the consequences of failing to defer such re-
20 ceipt.

21 (2) EFFECTIVE DATE.—The modifications re-
22 quired by paragraph (1) shall apply to years begin-
23 ning after December 31, 1999.

1 **SEC. 515. CONFORMING AMENDMENTS RELATING TO ELEC-**
2 **TION TO RECEIVE TAXABLE CASH COM-**
3 **PENSATION IN LIEU OF NONTAXABLE PARK-**
4 **ING BENEFITS.**

5 (a) IN GENERAL.—

6 (1) Clause (ii) of section 415(c)(3)(D) and sub-
7 paragraph (B) of section 403(b)(3) are each amend-
8 ed by striking “section 125 or” and inserting “sec-
9 tion 125, 132(f)(4), or”.

10 (2) Paragraph (2) of section 414(s) is amended
11 by striking “section 125, 402(e)(3)” and inserting
12 “section 125, 132(f)(4), 402(e)(3)”.

13 (b) EFFECTIVE DATE.—The amendments made by
14 subsection (a) shall take effect as if included in the
15 amendment made by section 1072 of the Taxpayer Relief
16 Act of 1997.

17 **SEC. 516. EXTENSION TO INTERNATIONAL ORGANIZATIONS**
18 **OF MORATORIUM ON APPLICATION OF CER-**
19 **TAIN NONDISCRIMINATION RULES APPLICA-**
20 **BLE TO STATE AND LOCAL PLANS.**

21 (a) IN GENERAL.—Subparagraph (G) of section
22 401(a)(5), subparagraph (H) of section 401(a)(26), sub-
23 paragraph (G) of section 401(k)(3), and paragraph (2) of
24 section 1505(d) of the Taxpayer Relief Act of 1997 are
25 each amended by inserting “or by an international organi-

1 zation which is described in section 414(d)” after “or in-
2 strumentality thereof”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) The headings for subparagraph (G) of sec-
5 tion 401(a)(5) and subparagraph (H) of section
6 401(a)(26) are each amended by inserting “AND
7 INTERNATIONAL ORGANIZATION” after “GOVERN-
8 MENTAL”.

9 (2) Subparagraph (G) of section 401(k)(3) is
10 amended by inserting “STATE AND LOCAL GOVERN-
11 MENTAL AND INTERNATIONAL ORGANIZATION
12 PLANS.—” after “(G)”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall take effect as if included in the amend-
15 ment made by section 1505 of the Taxpayer Relief Act
16 of 1997.

17 **SEC. 517. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

18 (a) IN GENERAL.—The Secretary of the Treasury
19 shall modify Treasury Regulations section 1.410(b)–6(g)
20 to provide that employees of an organization described in
21 section 403(b)(1)(A)(i) of the Internal Revenue Code of
22 1986 who are eligible to make contributions under section
23 403(b) pursuant to a salary reduction agreement may be
24 treated as excludable with respect to a plan under section
25 401(k), or section 401(m) of such Code that is provided

1 under the same general arrangement as a plan under such
2 section 401(k), if—

3 (1) no employee of an organization described in
4 section 403(b)(1)(A)(i) of such Code is eligible to
5 participate in such section 401(k) plan or section
6 401(m) plan, and

7 (2) 95 percent of the employees who are not
8 employees of an organization described in section
9 403(b)(1)(A)(i) of such Code are eligible to partici-
10 pate in such section 401(k) plan or section 401(m)
11 plan.

12 (b) EFFECTIVE DATE.—The modification required by
13 subsection (a) shall apply as of the same date set forth
14 in section 1426(b) of the Small Business Job Protection
15 Act of 1996.

16 **SEC. 518. PERMISSIVE AGGREGATION OF COLLECTIVE BAR-**
17 **GAINING UNITS.**

18 (a) IN GENERAL.—Paragraph (3) of section 410(b)
19 is amended by inserting the following immediately before
20 the last sentence thereof: “Solely for purposes of applying
21 this subsection to employees who are not described in sub-
22 paragraph (A), an employer may elect to have subpara-
23 graph (A) not apply to one or more units of employees
24 who are described in subparagraph (A).”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 this section shall apply to years beginning after December
 3 31, 1999.

4 **SEC. 519. REPEAL OF TRANSITION RULE RELATING TO CER-**
 5 **TAIN HIGHLY COMPENSATED EMPLOYEES.**

6 (a) IN GENERAL.—Paragraph (4) of section
 7 1114(c)(4) of the Tax Reform Act of 1986 is hereby re-
 8 pealed.

9 (b) EFFECTIVE DATE.—The repeal made by sub-
 10 section (a) shall apply to plan years beginning on or after
 11 January 1, 2000.

12 **SEC. 520. CLARIFICATION OF TREATMENT OF EMPLOYER-**
 13 **PROVIDED RETIREMENT ADVICE.**

14 (a) IN GENERAL.—Section 132(e) (defining de mini-
 15 mis fringe) is amended by adding at the end the following:

16 “(3) TREATMENT OF CERTAIN RETIREMENT
 17 PLANNING SERVICES.—The provision of retirement
 18 planning services by an employer to employees, to
 19 the extent not described in subsection (d), shall be
 20 treated as a de minimis fringe.”.

21 (b) NO CONSTRUCTIVE RECEIPT.—Section 132 is
 22 amended by redesignating subsection (m) as subsection
 23 (n) and by inserting after subsection (l) the following:

24 “(m) RETIREMENT PLANNING.—

1 “(1) IN GENERAL.—No amount shall be in-
2 cluded in the gross income of an employee solely be-
3 cause the employee may choose between any retire-
4 ment planning fringe and compensation which would
5 otherwise be includible in the gross income of such
6 employee.

7 “(2) NONDISCRIMINATION REQUIREMENT.—
8 Paragraph (1) shall apply to a highly compensated
9 employee only if the choice described in such para-
10 graph is available on substantially the same terms to
11 each member of a group of employees which is de-
12 fined under a reasonable classification set up by the
13 employer which does not discriminate in favor of
14 highly compensated employees.

15 “(3) RETIREMENT PLANNING FRINGE.—For
16 purposes of this subsection, the term ‘retirement
17 planning fringe’ means any retirement planning
18 services provided by an employer to an employee
19 which are not included in the gross income of the
20 employee by reason of subsection (d) or (e).”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to years beginning after December
23 31, 1999.

1 **SEC. 521. ANNUAL REPORT DISSEMINATION.**

2 (a) IN GENERAL.—Section 104(b)(3) of the Em-
3 ployee Retirement Income Security Act of 1974 (29
4 U.S.C. 1024(b)(3)) is amended by striking “shall furnish”
5 and inserting “shall make available for examination (and,
6 upon request, shall furnish)”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to reports for years beginning after
9 December 31, 1998.

10 **SEC. 522. EXCESS BENEFIT PLANS.**

11 (a) IN GENERAL.—Section 3(36) of the Employee
12 Retirement Income Security Act of 1974 (29 U.S.C.
13 1002(36)) is amended to read as follows:

14 “(36) The term ‘excess benefit plan’ means a
15 plan, without regard to whether such plan is funded,
16 maintained by an employer solely for the purpose of
17 providing benefits to employees in excess of the limi-
18 tations imposed by 1 or more of sections 401(a)(17),
19 401(k), 401(m), 402(g), 403(b), 408(k), 408(p), or
20 415 of the Internal Revenue Code of 1986 or any
21 other limitation on contributions or benefits in such
22 Code on plans to which any of such sections apply.
23 To the extent that a separable part of a plan (as de-
24 termined by the Secretary of Labor) maintained by
25 an employer is maintained for such purpose, that

1 part shall be treated as a separate plan which is an
2 excess benefit plan.”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to years beginning after December
5 31, 1999.

6 **SEC. 523. BENEFIT SUSPENSION NOTICE.**

7 (a) MODIFICATION OF REGULATION.—The Secretary
8 of Labor shall modify the regulation under section
9 203(a)(3)(B) of the Employee Retirement Income Secu-
10 rity Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide
11 that the notification required by such regulation—

12 (1) may be included in the summary plan de-
13 scription for the plan furnished in accordance with
14 section 104(b) of such Act (29 U.S.C. 1024(b)),
15 rather than in a separate notice, and

16 (2) need not include a copy of the relevant plan
17 provisions.

18 (b) EFFECTIVE DATE.—The modification made
19 under subsection (a) shall apply to plan years beginning
20 after December 31, 1999.

21 **SEC. 524. PROVISIONS RELATING TO PLAN AMENDMENTS.**

22 (a) IN GENERAL.—If this section applies to any plan
23 or contract amendment—

24 (1) such plan or contract shall be treated as
25 being operated in accordance with the terms of the

1 plan during the period described in subsection
2 (b)(2)(A), and

3 (2) such plan shall not fail to meet the require-
4 ments of section 411(d)(6) of the Internal Revenue
5 Code of 1986 or section 204(g) of the Employee Re-
6 tirement Income Security Act of 1974 (29 U.S.C.
7 1054(g)) by reason of such amendment.

8 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

9 (1) IN GENERAL.—This section shall apply to
10 any amendment to any plan or annuity contract
11 which is made—

12 (A) pursuant to any amendment made by
13 this Act, or pursuant to any regulation issued
14 under this Act, and

15 (B) on or before the last day of the first
16 plan year beginning on or after January 1,
17 2002.

18 In the case of a government plan (as defined in sec-
19 tion 414(d) of the Internal Revenue Code of 1986
20 and section 3(32) of the Employee Retirement In-
21 come Security Act of 1974), this paragraph shall be
22 applied by substituting “2004” for “2002”.

23 (2) CONDITIONS.—This section shall not apply
24 to any amendment unless—

25 (A) during the period—

1 (i) beginning on the date the legisla-
2 tive or regulatory amendment described in
3 paragraph (1)(A) takes effect (or in the
4 case of a plan or contract amendment not
5 required by such legislative or regulatory
6 amendment, the effective date specified by
7 the plan), and

8 (ii) ending on the date described in
9 paragraph (1)(B) (or, if earlier, the date
10 the plan or contract amendment is adopt-
11 ed),

12 the plan or contract is operated as if such plan
13 or contract amendment were in effect, and

14 (B) such plan or contract amendment ap-
15 plies retroactively for such period.

16 **SEC. 525. REPORTING SIMPLIFICATION.**

17 (a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
18 OWNERS AND THEIR SPOUSES.—

19 (1) IN GENERAL.—The Secretary of the Treas-
20 ury shall modify the requirements for filing annual
21 returns with respect to one-participant retirement
22 plans to ensure that such plans with assets of
23 \$500,000 or less as of the close of the plan year
24 need not file a return for that year.

1 (2) ONE-PARTICIPANT RETIREMENT PLAN DE-
2 FINED.—For purposes of this subsection, the term
3 “one-participant retirement plan” means a retire-
4 ment plan that—

5 (A) on the first day of the plan year—

6 (i) covered only the employer (and the
7 employer’s spouse) and the employer
8 owned the entire business (whether or not
9 incorporated), or

10 (ii) covered only one or more partners
11 (and their spouses) in a business partner-
12 ship (including partners in an S or C cor-
13 poration),

14 (B) meets the minimum coverage require-
15 ments of section 410(b) of the Internal Revenue
16 Code of 1986 without being combined with any
17 other plan of the business that covers the em-
18 ployees of the business,

19 (C) does not provide benefits to anyone ex-
20 cept the employer (and the employer’s spouse)
21 or the partners (and their spouses),

22 (D) does not cover a business that is a
23 member of an affiliated service group, a con-
24 trolled group of corporations, or a group of
25 businesses under common control, and

1 (E) does not cover a business that leases
2 employees.

3 (3) OTHER DEFINITIONS.—Terms used in para-
4 graph (2) which are also used in section 414 of the
5 Internal Revenue Code of 1986 shall have the re-
6 spective meanings given such terms by such section.

7 (b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR
8 PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case
9 of a retirement plan which covers less than 25 employees
10 on the 1st day of the plan year and meets the require-
11 ments described in subparagraphs (B), (D), and (E) of
12 subsection (a)(2), the Secretary of the Treasury shall pro-
13 vide for the filing of a simplified annual return that is
14 substantially similar to the annual return required to be
15 filed by a one-participant retirement plan.

16 **SEC. 526. MODEL PLANS FOR SMALL BUSINESSES.**

17 (a) IN GENERAL.—Not later than December 31,
18 2000, the Secretary of the Treasury is directed to issue
19 at least one model defined contribution plan and at least
20 one model defined benefit plan that fit the needs of small
21 businesses and that shall be treated as meeting the re-
22 quirements of section 401(a) of the Internal Revenue Code
23 of 1986 with respect to the form of the plan. To the extent
24 that the requirements of section 401(a) of such Code are
25 modified after the issuance of such plans, the Secretary

1 of the Treasury shall, in a timely manner, issue model
2 amendments that, if adopted in a timely manner by an
3 employer that has a model plan in effect, shall cause such
4 model plan to be treated as meeting the requirements of
5 section 401(a) of such Code, as modified, with respect to
6 the form of the plan.

7 (b) MASTER AND PROTOTYPE PLAN ALTER-
8 NATIVE.—The Secretary of the Treasury may, in its dis-
9 cretion, satisfy the requirements of subsection (a) through
10 the enhancement and simplification of the Secretary's pro-
11 grams for master and prototype plans in such a manner
12 as to achieve the purposes of subsection (a).

○